

CMI REPORT

Mid-Term Review of the Country Programme (MoU: 2003:2008) between Norway and Bangladesh

Arne Wiig
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R 2008: 3

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Executive summary

Overall assessment of the Norwegian bilateral country programme for Bangladesh over the period 2003-2007

This mid-term review concludes that the Norwegian country programme (CP) is **relevant** to Bangladesh's development needs and policy priorities. The CP focuses on key sectors of particular importance for poverty reduction in Bangladesh: education, human rights, gender and private sector development. As regards **effectiveness/impact**, the assessment is also positive, but it should be noted that this conclusion is not based on a rigorous impact analysis (with baseline data) and draws on reviews of a selection of projects rather than the whole portfolio. There is one exception to this overall positive assessment. The review questions the justification for Norway's support to the private sector facility SEDF as it does not appear to contribute to poverty reduction. Within the scope of this study it was not possible to look at the issue of cost efficiency.

More specifically, the following main findings and recommendations emerge from the review.

i) No increase in development co-operation compared to previous MoU

The aim of strengthening the development partnership between Bangladesh and Norway, which is clearly stated in the Memorandum of Understanding (MoU) for 2003-2007, has not been achieved. The volume of aid has shown a declining trend. Total bilateral aid to Bangladesh during the period 2003-2006 constituted NOK 596.6 million, of which NOK 392.2 million was financed under the CP. Disbursement under the CP has been more stable than other channels of Norwegian aid.

ii) Sector concentration and focus on cross-cutting priorities achieved

Norwegian government-to-government aid to Bangladesh is concentrated in two sectors – education and the private sector. Both sectors were targeted in the MoU. In addition, the CP involves stand-alone projects that reflect cross-cutting priorities, including human rights, gender equity and governance. Furthermore, initiatives supported within the education and private sectors reflect these wider Norwegian development priorities, particularly the promotion of gender equality.

Support to the education sector increased, constituting as much as 58% of the CP in the period 2003-2006. Within the other key sectors, the disbursement shares have been more stable, and private sector and human rights and gender projects constituted 14% and 15% respectively during the same period. At the same time, the support to environment and energy has decreased.

Norway has concentrated its effort within the education sector on two different though increasingly complementary projects. By supporting PEDP II, Norway is contributing to building the Government's capacity to provide primary education services. Simultaneously, by supporting BRAC, an NGO that actively engages with the government system, Norway is helping to extend quality education to children from the most disadvantaged families and to girl children in particular.

Also regarding human rights/gender issues, Norway's support is based on a clearly defined strategy, but the support is fragmented and many small projects are being funded. This may however be a reflection of the options available, since NGO support is widely considered to be an effective mean of supporting human rights and gender equality efforts within the country

iii) But the private sector support lacks a clear justification and activities are fragmented

Norway has formulated a strategy for private sector development in Bangladesh. However, the strategy is vague on key issues such as the justification for supporting private sector development in

Bangladesh in terms of the poverty reduction objective, what type of support is needed and which institutions are best able to provide such support. Without a clear ‘pro-poor’ private sector strategy, one risks supporting initiatives that do not contribute towards expected results. In this light, the study questions the value of the support to the SEDF. This facility, implemented with support from IFC, focuses on so-called ‘missing middle firms’ – not micro-enterprises. The project is fragmented and the team is unable to discern from the material provided how the different parts are linked together and how it addresses the private sector needs identified, for instance through business climate surveys. Why and how should donors be involved in such support? A conceptual framework seems to be missing.

The approach adopted, including in-house training offered to firms, may disrupt competition. In a country with huge corruption problems, the lack of transparency in the selection criteria for support presents serious challenges that are not being properly addressed. In addition, there are major methodological problems in disentangling impacts from the project. Without either a theoretical justification for the support or mechanisms for analysing impact, the Team questions the effectiveness of the project.

The composition of Norwegian support to the private sector has changed during the period as Norwegian support to energy-related projects has decreased. Apart from the RAKUB project, Norway is no longer supporting micro-enterprise development within its country programme. The support to the energy sector has also decreased and Norway should consider revitalising such support.

iv) Recipient ownership: Positive development in the education sector

As a partner, Norway has been described as participatory and interactive, and its willingness to engage in dialogue is appreciated by both governmental and non-governmental partners. Norway is perceived as being more flexible, more understanding of the country context in which it is operating, and more respectful of its governmental and non-governmental partners than many other aid donors. As a result, Norway is in many cases a ‘preferred development partner’. One exception was noticed (and it is probably a good sign as it indicates that Norway puts a lot of emphasis on fighting corruption). In the ERD, Norway was perceived as being too principled and stubborn in requiring money related to irregularities regarding support to a debt monitoring programme to be refunded.

The perception of Norway as a valued partner is partly related to the attention Norway has devoted to gender and social issues in the education sector programme. Norway is viewed as a development partner that is generally progressive in its approach, and specifically proactive in promoting human rights and gender equality issues. For many rights-based organisations, Norway is seen as the donor most likely to articulate priorities concerning these issues, as well as to provide support to marginalised or unrepresented communities. As some of the international financial institutions do not have a good reputation in Bangladesh, Norway represents a counterbalance appreciated by the government.

v) Relevance: The priority sectors and concerns selected are relevant

The sectors chosen and the overriding principles for Norwegian support are all relevant, both in terms of Bangladesh’s needs and in relation to Norwegian and Bangladeshi priorities. An increased emphasis on improving quality in the primary education sector is a key challenge in Bangladesh, with 17 millions pupils enrolled in primary school.

Bangladesh is also facing new challenges within human rights and gender issues. Norway – according to both civil society and development partners – has sometimes played a ‘watchdog’ role on these issues. This, in turn, has had a preventive effect in terms of holding back more

conservative forces. Norway has played a watchdog role regarding gender and human rights issues within the education sector and through stand-alone projects targeting these objectives.

Entrepreneurship is common and there are trading opportunities but these are hampered by a lack of infrastructure (such as electricity) and governance problems.

vi) Impact: Poverty impacts hard to discern but most likely a success, apart from the support to the private sector

A general conclusion from the review is that it is difficult to measure impact and the projects Norway supports are not designed to measure impact through rigorous quantitative methods.

At a general level it is, however, well documented that improved education represents an important way out of poverty. Bangladesh has experienced significant improvements in primary school enrolment, towards which Norway has contributed, but much remains to be done to improve quality and learning performance. The review does not find that increased development aid to the education sector has led to an increase in government funding of education – indicating that there is a fungibility problem to address. There is also no evidence that the quality of teachers has improved. The significant increase in the recruitment of new teachers without proper qualifications led to a deterioration of the quality of teachers – at least in the initial phase of PEDP II. This problem is, however, currently being addressed by the GoB through training programmes for existing teachers and, from 2009, training of all new teachers before they are placed in the classroom.

The review is not in a position to confirm that the SEDF project has led to poverty reduction. Some of the problems related to the private sector support are due to selection bias and inadequate gender focus.

Findings and recommendations of relevance for future Norwegian aid to Bangladesh

i) Why is the Embassy being downsized?

The review team is surprised to find that a decision was taken by the Ministry of Foreign Affairs to reduce the Embassy's diplomatic staff from eight to three in several rounds from 2007 to 2009. This decision was made prior to this review and prior to a thorough discussion on how to continue the development partnership with Bangladesh. Furthermore, this has preceded any discussions in the Norwegian parliament (Storting) or in the public domain on Norway's relationship with Bangladesh – a main co-operating partner for more than 30 years. The Ministry has not issued an explicit justification for reducing the staff. A significant reduction in the staff at the Embassy will unavoidably influence the quality, the size and the targeting of Norway's future aid activities in Bangladesh.

- The report underlines the importance of a well staffed embassy in order to develop high quality aid programmes. Capacity for quality dialogue on development issues and close follow-up of programme activities have been vital for the success the CP.

ii) Justifications for further support

There are a number of justifications for further development assistance to Bangladesh:

- A large number of the world's poor are located in Bangladesh.
- Bangladesh might play an increasing geopolitical role as the world's third largest Muslim country, particularly since it has been to date viewed as a moderate Muslim country.
- There are emerging fundamentalist forces in Bangladesh.
- Norway lacks an exit strategy and without dialogue, Norway risks losing its reputation as a reliable development partner.

- There is a need to assist with capacity for handling natural catastrophes, as well as with long-term adaptation to climate change.

iii) Should Norway stay in the same sectors?

- There is no obvious reason for withdrawing from the education sector. The commitment to the MDG on primary education should be reconfirmed.
- There might also be justification for continued support to private sector development, particularly when this is taken to include the energy sector and is based on a clear strategy for support.
- Human rights in Bangladesh remain a sensitive issue and despite its rhetoric on gender equality, in recent years the GOB has displayed a lack of active interest in this area. Despite some gains, undoubtedly much work remains to be done on women's advancement. Given the influence of fundamentalist elements, and that Norway is recognised as having a legitimate voice on these issues, continuing support to human rights and gender issues is vital.
- This review did not look into potential new areas for Norwegian support.

1. Introduction ¹

Norwegian co-operation with Bangladesh has a history almost as long as the history of the country itself. Bangladesh won its independence in 1971 and became a main co-operating partner for Norwegian aid as early as 1973. After Tanzania, Mozambique and Zambia, Bangladesh is the country that has received the most aid from Norway, in total. However, in recent years Norway has reduced its economic and political involvement in Bangladesh.

Bangladesh has achieved a tremendous reduction in poverty during the period and social indicators have improved significantly. In the terminology of the World Bank, Bangladesh has transitioned from an agriculture-based economy to a transforming country.² One might also frame it in another way: Bangladesh has developed from a ‘test case’ to a country achieving ‘medium human development’ (see Sen and Hulme, 2006; Faaland and Parkinson, 1976).³

Bangladesh still represents a puzzle on many counts. For instance, growth rates are high in spite of serious governance problems while poverty remains severe despite high growth rates. Even though poverty rates have decreased, poverty in Bangladesh is still widespread. The incidence of *chronic* (long-lasting) poverty is about 31 per cent (Sen and Hulme, 2006:186). With a population of more than 140 million, the poor in Bangladesh constitute a large share of the world’s poor – the main target of Norwegian aid.

This report will focus on experiences with Norwegian development co-operation during the current Memorandum of Understanding (MoU).⁴ Specifically, the report looks at government-to-government aid, hereafter labelled the country programme (CP).⁵

Figure 1 reveals that both total bilateral aid and aid provided under the country programme have been volatile, with a decreasing trend. On average, total yearly bilateral aid to Bangladesh was higher during the previous MoU than under the current MoU. The CP is more stable than total bilateral aid, partly due to the way mixed credits are registered.⁶

¹ We will thank Sirajul Haq Talukder, External Relation Division for support during our field work. We will also like to thank Just Faaland, CMI and the staff at the Embassy for valuable comments on a previous version of this report.

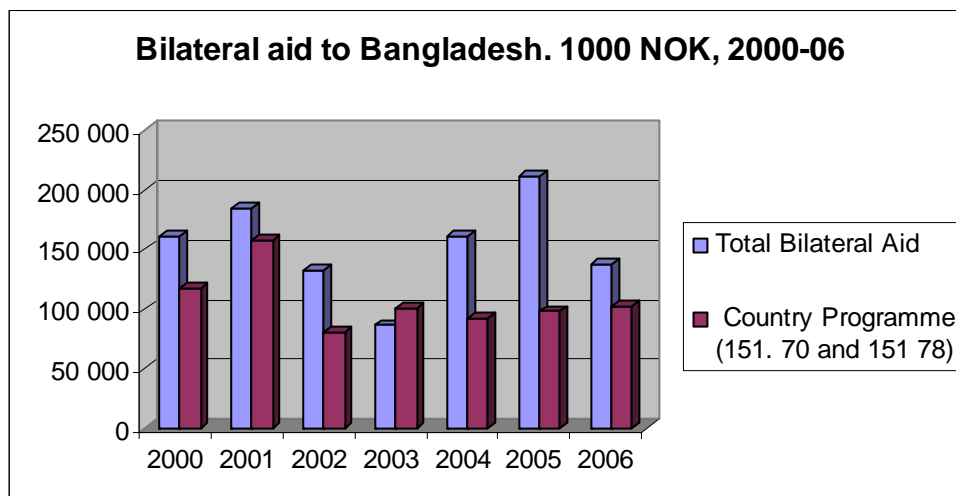
² Bangladesh is characterised as a transforming country in the WDR 2008. Agriculture in Development. World Bank. 2007.

³ Faaland J. and J.R. Parkinson. 1976. *Bangladesh: The Test Case for Development*. London: Hurst; Sen B. and D. Hulme. 2006. Chronic Poverty in Bangladesh. Tales of Ascent, Descent, Marginality and Persistence. Bangladesh Institute of Development Studies (BIDS) and Chronic Poverty Research Centre (CPRC).

⁴ With a view to further strengthening and developing relations between Norway and Bangladesh, a MoU on the overall priorities and framework for future cooperation between the two countries was signed on 20 April 2003 for a period of four years. The agreement has been extended for one year (to 20 April 2008).

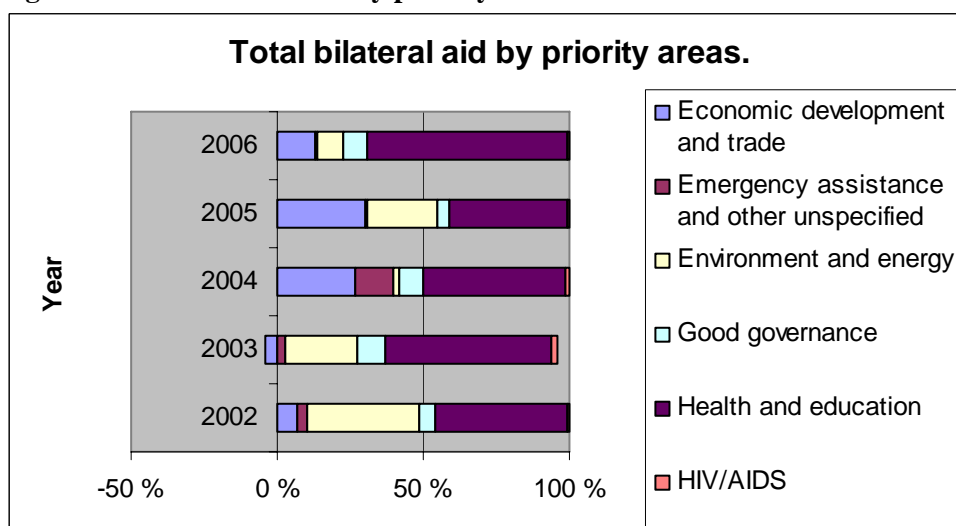
⁵ Here defined as budget chapters 151.70 and 151.78. Note that budget chapters 160.70 (civil society) and 160.73 (culture) are not included. What we have termed government to government aid is therefore different from the residual category used by NORAD in their statistical analysis.

⁶ In 2005, for instance, it was the registration of a mixed credit of 50 million NOK that led to an upward jump in total bilateral aid. The negative registration in 2003 refers to the refunding of Norfund’s equity investments after its exit from Scancem..

Figure 1: Bilateral aid to Bangladesh. 2000-2006Source: Norad⁷

Total bilateral aid to Bangladesh during the period 2003-2006 constituted NOK 596.6 million, of which NOK 392.2 million was financed under the Country Programme. The CP includes multi-bi support, for instance through ADB and IFC.

Education and private sector development have experienced an increasing share of total bilateral aid to Bangladesh compared to the last MoU (as measured by the figures in 2002). Education has increased from 45% to 68% of total bilateral aid. Economic development and trade has also increased while expenditure on environment and energy has shown a decreasing trend, partly due to the phasing out of support to the Rural Electrification Board.

Figure 2: Total bilateral aid by priority area

Source: Norad.

⁷ We would like to thank Hanne Thonstad, Norad, for the construction and specific design of a database of Norwegian support to Bangladesh. Without such a database, it would have been very difficult to trace projects, responsibilities and transfers of funds across various DAC codes and institutions.

An increasing share of Norwegian aid to Bangladesh has been channelled through multilateral organisations (multi-bi) (33% in 2006 compared to 5% in 2002) and through local NGOs (up from 16% in 2002 to 32% in 2006), reducing the residual category of ‘government to government aid’ from 70% to 20% during the same period.

The current MoU replaces the previous MoU of 1995, but does not represent any significant change in Norway’s aid policy towards Bangladesh, which emphasises that poverty is the key challenge and that labour-intensive growth and education constitute the key to reducing poverty.⁸ The use of MoUs for bilateral aid programmes is not so common in Bangladesh but Norway has used them for a long time. It provides an overall framework and signals of Norway’s aid priorities and it has been developed in dialogue with GoB.

The overall goal of the cooperation programme is to support Bangladesh’s efforts to *reduce poverty*. *Good governance* is explicitly referred to as a vital precondition, including human rights and gender equity.⁹ The MoU refers also to two priority sectors of cooperation: i) education, in particular basic education; and ii) private sector development, including trade. Health and environment are not considered focus areas and hence are not addressed in that way. Energy is supported under the umbrella of private sector support. Regarding gender equity and human rights, Norway has a two-pronged strategy whereby these concerns are mainstreamed into the two priority sectors and also have a stand-alone portfolio of specific projects.

According to the MoU (§6), a mid-term review should be conducted and Norad has requested CMI to undertake this review. According to the TOR (see Appendix 1), the main objective is to assess the results and experiences derived from the development co-operation between Norway and Bangladesh since the MoU was entered into. A particular focus should be whether the aid strategy has been relevant and successful. On the basis of previous experience, and in light of the two rounds of diplomatic staff reductions at the Norwegian Embassy in Dhaka, the Review Team has been asked to highlight options for future co-operation. The main focus of the review is, however, on past activities.

This review covers the CP for the period of the current MoU for which disbursement figures are available (2003-06). Furthermore, given the time constraint on the assessment it was agreed that the review would not be based on a systematic evaluation of programmes, but rather focus on a few main projects within key sectors – i.e. PEDP II in the education sector, SEDF in the private sector, and Working Women’s Integrated Programme (Women’s Network 2003-2007) and Women’s Rights 2004-2007 focusing on gender equity. The selection of projects has been approved by the Embassy. The review is evidence-based, drawing on existing reviews, evaluation reports, minutes from ERD and country reports from the Embassy. Interviews were undertaken to fill in the gaps (see Appendix 2 for a list of persons interviewed).¹⁰ The methodological approach chosen makes it difficult to draw general conclusions on the relevance and results of Norway’s aid under the CP, but as the projects chosen constitute almost 75 % of the CP and represent target sectors and priority areas, the

⁸ A review of the previous MoU was undertaken by McGregor A. et al. 2001. Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000. Evaluation Report 5/2001.

⁹ Strictly speaking, the MoU considers governance issues to be the overriding concern while gender, equity, environment, institutional capacity-building and HIV/AIDS control are considered to be important concerns. §3 in the MoU states: ‘The overall goal of the cooperation programme is to support Bangladesh’s efforts to reduce poverty. Good governance, including the fight against corruption, financial management and respect for human rights are vital preconditions...’.

¹⁰ Interviews with key personnel in Norad and the Ministry of Foreign Affairs were carried out on 14-15 January. Fieldwork was carried out over 6-13 February in Dhaka, where we interviewed staff at the Embassy and key stakeholders, including government officials.

experiences from these projects should be relevant for our future aid programme in Bangladesh. As outline above, the assessment is made with reference to ‘relevance’ and ‘results’.

The *relevance* of the Norwegian support is judged according to the extent to which it (a) addresses key concerns and meets needs of the target group(s), and (b) is in line with the priorities of GoB and the Norwegian government with respect to poverty reduction. The assessment of *results* consists of two elements: firstly, the findings of earlier analyses are presented; and secondly, comments are provided on issues to be addressed with respect to impact.

The review is structured as follows. Chapter 2 provides an overview of political, economic and social development in Bangladesh. Chapters 3 and 4 provide a review of the two priority sectors, respectively education and the private sector. Chapter 5 reviews the overriding concern with human rights and gender in the CP portfolio. Chapter 6 discusses future aid strategies for Norway on the basis of past experience as discussed in chapters 3-5 and in light of the political and economic context discussed in chapter 2.

2. The political, economic and social context in Bangladesh

2.1 Political situation¹¹

The 1991 election was won by the Bangladesh Nationalist Party (BNP), led by Khaleda Zia. After irregularities committed by the BNP, all opposition parties boycotted Parliament from 1994. The BNP government dissolved Parliament in late 1995, and the Awami League (AL) boycotted the following general election in February 1996. The BNP claimed victory, but was forced to transfer power to a caretaker government as riots increased. In the June 1996 election, supervised by a caretaker government, the AL, led by Sheikh Hasina, won a majority of the seats in Parliament and formed a government with support from the Jatiya Party, led by General Ershad. During the next general election in October 2001, history repeated itself in that the two main parties substituted each other in governing Bangladesh. A four-party alliance, led by the BNP, and including a faction of the Jatiya Party and two Islamist parties, Jamaat-e-Islami and Islami Oikyo Jote, won the 2001 election. It seems that there is a pattern in the election process in Bangladesh, with the two main parties replacing each other and the opposition winning the election. Perhaps this should be seen as the electorate's way of protesting bad governance by voting out the incumbent in each set of elections, in the hope that things will improve if they are replaced?

The alliance achieved steady economic growth of 5-6% a year and progress was made in poverty reduction and social development. However, the alliance failed to deliver on two major election promises: curbing corruption and improving law and order. During this period, corruption reached unprecedented levels and Bangladesh was at the bottom of the Transparency International Corruption Perceptions Index every year.

Moreover, the bomb attack on an AL rally in August 2004, in which 21 people were killed, and highly co-ordinated attacks in August 2005, in which more than 350 bombs went off in 63 of Bangladesh's 64 districts, seemed to justify the fears that the country could be moving towards an aggressive Islamic fundamentalism and might become a base for international terrorism. The opposition alleged that the BNP was turning a blind eye to Islamic extremism because of its alliance with the powerful Jamaat party. However, in February 2005 the government banned two Islamist organisations, the Jamiat-ul-Mujahideen Bangladesh (JMB) and Jagrata Muslim Janata Bangladesh (JMJB). The government arrested the leader of the JMB and several other JMB members and in March 2007 they were executed for their involvement in bombing activities.

Following weeks of violent street protests and persistent concerns about the ability of the caretaker government to hold a free and fair legislative poll, on 11 January 2007 President Iajuddin Ahmed resigned as chief adviser, cancelled the election and declared a state of emergency. A second caretaker government, with Fakhruddin Ahmed as chief adviser, was formed the next day and has since ruled with the full support of the military. Bangladesh has thus been run by a caretaker government over the last 15 months.

The Election Commission has a busy timetable in 2008: it hopes to hold municipal elections in two cities by April and to finalise the electoral register in July before setting a date for the next parliamentary poll, by the end of 2008.. 43 out of 80 million voters are currently (March 2008)

¹¹ This section is heavily based on Economist Intelligent Unit Country reports. Various issues.

registered. Holding the local election meet resistance from the political parties as they claim that the caretaker government only has a mandate to hold parliamentary election.

According to the EIU, the emergency rule will probably continue until the parliamentary election due to the requirement for political reform, including a change of political leadership, but the bipolar political situation is likely to continue.

The caretaker government is fighting corruption at all levels, including political corruption, but few convictions have been achieved to date (there is a risk that cases are not well enough prepared to sustain convictions). Bangladesh has improved its position in TI's corruption index.

2.2 Economic situation

High economic growth and inflation, but stagnating revenue generation

Economic growth has been around 6% but has been adjusted downward for 2007, partly due to global price hikes, flood and cyclone disasters and corruption trials.¹² Prices of rice and petrol have increased, but fuel prices are still much lower than their costs, putting fiscal pressure on the public budget. Taxes as a share of GDP have not increased during the period and internal resource mobilisation is still extremely low. The public deficit has increased as a share of GDP.

Reducing aid dependence but increasing trade dependence

Total net ODA inflows to Bangladesh have not kept pace with GDP growth. Total net aid inflows declined as a proportion of GDP from 2.4% in 2004 to 1.9% in 2006 (as a comparison, ODA as a share of GDP was 6.5% in 1991). As a comparison, inflows to all HIPC countries averaged 40% of GDP over 1995-2005. Apart from India, Bangladesh has the lowest inflow of aid among low-income Asian countries as a share of GDP. Bangladesh has experienced a relative decline in aid from bilateral institutions (45% in 2006) and a decreasing share of grants (and an increasing share of loans).

Trade (imports + exports) as a share of GDP constitute 40%. Exports of garments still take the key (and so far stable) role in Bangladesh's exports.¹³ Bangladesh has implemented a flexible exchange rate as part of the IMF conditionality. Remittances have increased significantly in the period and constituted 4.8 billion USD in 2006, or four times as high as ODA.

Bangladesh is not a highly indebted country. Total debt constituted 22% of GDP in 2005. Debt has been relative stable, although new IMF loan programmes have been implemented during the period.

¹² See Appendix 4 for an overview of macroeconomic indicators.

¹³ See Appendix 5. for information on the trade status of Bangladesh.

Figure 3: Total aid to Bangladesh and its composition. 2001-2006

	2001	2004	2005	2006
Total aid (ODA net) (mill USD)	1,096	1,412	1,367	1,223
% Loans	27	Na -	30	-Na
% Grants	73	Na -	70	-Na
Bilateral share	57%	49%	46%	45%
Net ODA/GNI	2.1 %	2.4 %	2.1 %	1.9 %
Foreign direct investment, net inflows (% of GDP)	0.2 %	0.8 %	1.3 %	Na

Sources: Table 2. Aid Flows to Bangladesh; IMF. Bangladesh: Selected Issues. IMF Country Report No. 07/230; OECD/World Bank, <http://www.oecd.org/dataoecd/56/21/1867292.gif>.

Many donors are active in Bangladesh and four major donors work towards a joint country assistance programme (WB; ADB; JBIC; DfID). Some major donors require country evaluations by 2009.¹⁴

Increasing internal financing of Annual Development Programme (ADP)

In spite of a reduction in aid dependence, total expenditure on ADP has been relatively stable at around 5.5% of GDP. A larger share from domestic sources is therefore being used for development expenditure. The government has devoted fewer resources to poverty-reducing expenditure than other least developed countries. There are certain critical sectors which still need ODA to implement development programmes.

ODA still accounts for about 50% of the Annual Development Programme and plays a significant role in education (see Appendix 3). Bangladesh's moving out of acute aid dependency has not been rewarded with a greater flow of good quality ODA. Funding still remains a major concern for ADP financing and MDG implementation.

MDG

Bangladesh has already met the goal on gender parity in primary and secondary schooling, and is likely to meet the goals on consumption poverty (if growth rate is above 7% per year). But even if Bangladesh does half its poverty rate, 40-50 million people is still poor. The MDGs on child malnutrition and universal enrolment/completion in primary school are unlikely to be met and institutional changes are needed to achieve this. The WB emphasises the importance of providing transparent and accountable services to the poor in doing so.¹⁵ These services need to be funded.

¹⁴ See Appendix 3 for an overview of the main donors involved and Appendix 6 and 7 WB background material.

¹⁵ World Bank. 2007. To the MDGs and Beyond: Accountability and Institutional Innovation in Bangladesh. Bangladesh Development Series 14. See also Atiur Rahman. 2007. Attaining the Millennium Development Goals in Bangladesh downloaded from http://139.222.138.83/dev_seminars/AtiurRahman_MDG_UEA_May_07.ppt.

3. Assessment of Norwegian support to education sector development

Overview 2003-2007

The total support to education and health amounted to NOK 312 million (or 80% of total bilateral aid) for the years for which disbursement figures are available (2003-06), of which the majority (NOK 268 million) was financed under the CP. Almost all of this is for education, which has recorded an increasing trend and totalled NOK 227.9 million, or 58% of the CP. Support to the education sector, in particular primary education, has therefore been the key element of Norwegian aid policy to Bangladesh during the recent period.

Six main education projects were financed under the country programme during the period 2003-08. They include PEDP II, BRAC (BEP-IV), Female Stipend Program (FESP III), Non-Formal Education (NFE), Education for Indigenous Children (EIC) and finally a project on Expanding Inclusiveness and Government Cooperation (EIG). In addition, there are some projects targeting the education of working children. Norway follows a two-pronged complementary approach, with Norwegian aid supporting capacity development of GoB (through PEDP II) and NGO interventions aiming at reaching children outside the public system – pre-school, children who never enrolled in any primary schools (left out children) and dropouts (BRAC - BEP).

Within the scope of this review it was agreed that the assessment would focus primarily on the support to PEDP II. The disbursement to PEDP II represents 45% (or NOK 101 million) of the total disbursement to the education sector under the CP (the share would have been significantly higher if data from 2007 was available).

Case: Co-financing the Second Primary Education Development Programme (PEDP II BGD-3057-02/327)

A summary presentation of PEDP II

PEDP II is an integrated and coordinated programme covering the formal primary education subsector. It is one of the largest aid programmes in the world. Its overall goal is to reduce poverty through universal primary education.

PEDP II focuses on improving the quality of education in primary schools; it helps to strengthen policy, and organisational and institutional development necessary to support coordination, subsector planning, management, monitoring and evaluation. It includes a comprehensive policy and institutional reform framework, a common set of key performance indicators, and a common implementation framework for support from the Government and its development partners. PEDP II assists the Government to promote education for all and its poverty reduction agenda, which are linked with the Millennium Development Goals. The specific objective is to provide quality primary education to all eligible children in Bangladesh. PEDP II covers 83% of primary level students through mainly four types of school (government primary schools, registered non-government primary schools, community schools, and experimental schools attached to primary training institutes).

PEDP II was designed through a joint planning process between the Government of Bangladesh (GoB) and Development Partners (DPs) during 2001-03. The programme was launched on 8

September 2004 and implementation commenced in early 2005. PEDP II is financed jointly by GoB and 11 DPs – the ADB (lead DP), CIDA, DFID, EC, Norway, the Netherlands, Sweden (Sida), World Bank, UNICEF/Australia and JICA. The PEDP II funding framework covers a six-year development budget of \$951 million jointly financed by GoB and DPs, and a \$864 million stipend programme. The total financing envelope of PEDP II is \$1,815 million over six years (2004-2009), comprising \$1,161 million (64%) equivalent from GoB. Norway has committed NOK 349 million, with only about NOK 156 million having been disbursed up to now.

There are four components of the programme:

- **Component 1 (Organisational Development and Capacity Development):** This component aims to improve quality through educational management, including good governance of the primary education system, with a focus on increasing capacity, authority and accountability at district, upazila and school levels. The implementation arrangement is aimed at helping teachers, committee members and education officers to perceive the programme as one unified effort with one set of goals and procedures and line management. Upazilas will be assigned new responsibilities through decentralisation efforts.
- **Component 2 (Quality in Schools and Classrooms):** The objective is to provide the framework for systemic and institutional change to improve quality in schools and classrooms. Activities include the recruitment and training of teachers and the provision of textbooks.
- **Component 3 (Quality Improvement through Infrastructure Development):** The main objective is to provide adequate facilities conducive to good quality education through increased equitable access to infrastructure, facilities and equipment, in order to increase contact hours for students. Provisions under this component include new classrooms, needs-based furniture, tube wells, offices, toilets and furniture for schools.
- **Component 4 (Equitable Access to Quality Education):** This component focuses on promoting and facilitating access to quality schooling for vulnerable groups of children, including those children who have never attended formal schooling or who have dropped out before completing Class 5. It includes capacity building interventions, which are essential for institutionalising strategies and processes for disadvantaged children.

Assessment of the relevance of PEDP II

In relation to educational needs

The duration of the primary education level is 5 years only. In 1990, the average years of education were as low as 2.4 years (1.2 for women). Most of the labour force was functionally illiterate. The primary school net enrolment was 71% while the secondary school net enrolment was only 19% in 1990. The education sector was by necessity gradually being targeted by the GoB. Bangladesh increased its spending on education from 1.9% of GDP in 1985 to 2.3% in 1995. In spite of the increase, this share was (and unfortunately still is) low in a comparative perspective.¹⁶ Most of the increase in the expenditure on education during the 1990s was, however, in the secondary education sector, reducing its pro-poor basis (see Wiig, 2000:33). The need for a re-emphasis on primary education was successively understood by the government and the donor community.

Enrolment ratios and literacy rates increased during the 1990s, but these indicators say little about the achievement level of the pupils. School drop-out and grade repetition rates were high. Poor school attendance and limited time in school were (and possibly continue to be) factors contributing to the low level of learning achievement.

¹⁶ On average, low income countries spend 3.1% of their GDP on primary education.

Already in the mid-1990s, it was clear that financial support to the education sector was not enough to improve the literacy of the country. More emphasis was needed on improving the quality of the education system. For instance, a study by Greaney, Khandker and Alam (1997)¹⁷ revealed that students complete five years of primary education with a mastery of only about three years of the content. 40% of those who enter primary school do not complete the five grades. It takes on average nearly 9 years for a student to complete 5 years of primary school. Those who complete the five grades perform on average only at the expected third grade level. One third of rural school children aged 11 and above do not meet the minimum level of performance in reading, writing and mathematics.

Some of the main obstacles in the primary education system were identified as being:

- an insufficient number of classrooms and teachers
- high teacher absenteeism
- insufficient teaching hours and training
- no learning assessment system
- poor school accountability

The evidence of the low quality level of pupils in primary school was further supported by a nationwide sample survey of primary school students completing class five carried out by Education Watch in 2000. This study showed that 1.6 percent of the children acquired all of the 27 basic competencies tested in the survey. Half of the children failed to achieve 60 percent or more of the basic competencies.

How to assess the relevance of PEDF II in view of these findings? In an assessment of the poverty impact of public expenditure, Wiig (2000:34) concluded:

An improved poverty targeting through increased resources to primary education cannot be revealed by data. The recent introduction of the Primary Education Development Programme (PEDP), which is also supported by Norway, may, however, change this picture in the future. At the same time it does not help to increase the resources put into the education sector if one is unable to improve the quality of the services provided. Even though enrolments have increased, it is alarming that the performance of the students is at such a low level. From a poverty perspective, increased attention should therefore be put on primary education with a particular emphasis on the quality of the service provided.

PEDP II involves a transition from PEDP I, which consisted of about 20 projects, which have now been amalgamated in this phase. PEDP II is a programme that focuses on primary education, where quality improvement and governance issues are key concerns, as evidenced by changes such as greater transparency in teacher recruitment, more emphasis on the training of teachers, improvement in the quality of the recruitment process (reduced discretionary power, greater emphasis on written exams and lower importance of interviews).

In a low income country with a low education level and 17 million pupils enrolled in primary school, the organisation of the education sector represents an enormous task that needs financial, managerial and technical support, in which the PEDP programmes have played a significant role.

→ *In summary, the overall focus of PEDP II on quality of primary education is highly relevant.*

¹⁷ Greaney, V., S.R. Khandker and M. Alam, 1999. *Bangladesh. Assessing Basic Learning Skills*. Dhaka: University Press.

In relation to poverty reduction as an overarching objective

Education is a basic human right and a functioning educational system is an essential precondition for sustainable development. The right to free and compulsory education is included in Article 17 of the Constitution of the People's Republic of Bangladesh.¹⁸

Ensuring that all boys and girls complete a full course of primary schooling is one out of eight MDGs, and human development is one out of three key pillars in the GoB's poverty reduction strategy. Education is a key sector promoting human development. This notwithstanding, education is no longer part of Norwegian aid priorities.

Statistical analysis has shown that characteristics such as increased access to electricity, education, and land and asset ownership is associated with a lower probability of being poor in Bangladesh (Sen, 2003). The poor also gain relatively more from expenditure on primary education than on secondary education.¹⁹ Funds used for primary education have a pro-poor bias, which is not the case for secondary education in Bangladesh. PEDP II has a nationwide outreach, making it easier to reach poor groups in rural Bangladesh.

How to assess the relevance of PEDP II in view of these findings? Since the provision of primary education particularly rests with the state, the governance aspects of the sector have a direct impact on the size and quality of the education sector and they also provide a critical indicator of wider governance issues at the country level. Bangladesh is no exception in this regard. Additionally, depending on the nature of the education system interventions within this sector can also contribute to shaping wider attitudes on key issues such as gender, governance and human rights. Education is particularly important for vulnerable groups, including women.

→ *The Norwegian support to the primary education sector and PEDPII in particular is clearly aligned with poverty reduction as an overarching objective.*

Assessment of the results of PEDP II

At the general level, a lot has been achieved within the education sector. As PEDP II is the key public education programme, a large part of the results must be attributed to this programme, although BRAC and other NGOs play an important and complementary role to the public education system.

Reporting of results by PEDP II

Since 1985, adult illiteracy (percentage of population 15+) has fallen from 68% to 52.5%.²⁰ The combined primary, secondary and tertiary gross enrolment ratio is 56% (primary net school enrolment has increased to 89% while the secondary net enrolment ratio has increased to 43%). Bangladesh currently ranks as number 128 out of 177 countries on the literacy dimension of the HDI index. The literacy rate of women is about 75% of that of men.

¹⁸ §17 The State shall adopt effective measures for the purpose of:

(a) establishing a uniform, mass-oriented and universal system of education and extending free and compulsory education to all children to such stage as may be determined by law;
(b) relating education to the needs of society and producing properly trained and motivated citizens to serve those needs;
(c) removing illiteracy within such time as may be determined by law.

¹⁹ Alam M. and H. Hussain. 1999. 'A review of Primary Educational Development in Bangladesh'. In *Education Watch 1999. Hope not Complacency. State of Primary Education in Bangladesh 1999*. Dhaka: The University Press.

²⁰ See UNDP 2008, *Human Development Report Bangladesh*, and World Bank 2007: 6. 'To the MDG and Beyond: Accountability and Institutional Innovation in Bangladesh'. Bangladesh Development Series 14, World Bank.

PEDP II has put a lot of emphasis on the establishment of clear programme objectives and indicators within the core components of the programme. A recent MTR of the programme has recently been published and approved both by GoB and the donor community.²¹ The review claims that the programme as a whole has made **‘satisfactory progress against the program objectives and targets’**, including **GoB ownership** of the process. However, the report also acknowledges that the assessment of the programme in some areas is constrained by the **lack of current data** to demonstrate improvements in, for example, the net enrolment rate and the completion rate.

Some of the achievements within the main components include the following:

Component 1 (Organisational Development and Capacity Development):

Approximately 12,000 PEDP I positions were transferred to the revenue budget in 2005. Under PEDP II, 12,034 new teachers in schools were recruited in 2006. In addition, around 13,000 teachers will be recruited by December 2007. These 25,000 new teachers account for 71% of the target of 35,000 teachers to be recruited. In addition, a **devolution** plan is under consideration for approval in the Ministry.

Component 2 (Quality in Schools and Classrooms):

Programme achievements include the training of teachers, the provision of textbooks and supplementary reading materials, and the development of training packages in science and mathematics. Over 45,000 new and existing teachers have received one-year Certificate-in-Education training with another 19,000 undergoing this training out of a target of 90,000, resulting in better trained teachers being placed in schools. MTR discussions identified the need for more direct classroom follow-up and support to ensure application of training in classrooms.

Over 50 million textbooks are distributed to all children annually in all types of primary school. In addition, 18 titles of supplementary reading materials for all grades have been distributed to four types of primary school.

Component 3 (Quality Improvement through Infrastructure Development):

As of 31 October 2007, the physical progress of infrastructure implementation is about 70%. So far, 15,472 classrooms out of a total of 29,874 approved for construction have been completed in 7,736 primary schools. In addition, the construction of 7,637 toilets and sinking of 7,414 arsenic-free tube wells (out of 10,240) have been completed and handed over. A further 6,034 classrooms, 2,499 toilets and 321 tube wells are nearing completion.

Component 4 (Equitable Access to Quality Education):

This component has lately made headway. The awarding of 10 Innovation Grants was approved in early 2007. Four inclusive education strategies and action plans (gender, tribal children, vulnerable children, and children with special needs) have been developed along with an inclusive education framework. Awareness campaigns through the print media, television programmes and locally based activities have been successfully carried out and have generated a great deal of interest among parents and communities, thereby motivating children to attend school. More activities will be carried out in the next phase. For those communities which do not have access to primary education, new schools/residential schools and teachers should be provided.

Under the GoB stipend project, approximately 4.3 million children, comprising around 40% of the poorest children from all eligible schools in rural areas, have received stipend support.

Assessment of impact/obstacles

There are a number of obstacles and challenges facing the programme. We will highlight the following.

²¹ Aide Memoire Second Primary Education Development Program (PEDP II). Mid Term Review 29 October-12 November 2007.

Low disbursement in the beginning of the period

The start up was delayed and the speed of disbursement has been slower for non-tangible aspects of the programme than for tangible aspects (infrastructure). GoBr therefore requested a short extension of the programme period, as well as some additional funding related to the extra costs resulting from the environmental disasters caused by the flood and the cyclone.

Strengthening the quality of teaching/learning processes in the classroom

Enrolled pupils in primary school increased from 17.67 million in 2000 to 17.94 in 2004 (or 1.5%). At the same time, the number of teachers increased by 14% (to 352,683).²² The number of pupils per teacher therefore reduced from 57 to 51, which is an improvement. At the same time, the figure remains high in a comparative perspective and there should be considerable room for additional improvement.

The increase in the recruitment of teachers also has a cost. During the same period, the country has faced a reduction in the share of trained teachers in primary schools (from 65% to 48%). At least during the initial period of PEDP II, the increased recruitment of teachers was accommodated by untrained teachers. Demand pressure had meant that newly recruited teachers were often sent directly to classrooms.

Although 45,000 teachers have received a one year Certificate-in-Education training with another 19,000 undergoing this training out of a target of 90,000, this is probably not enough to accommodate for the growth of untrained new teachers. Only from 2009 is it planned that *new* recruits will be provided training before they are dispatched to classrooms. This is an attempt to standardise the quality of teachers, particularly in a situation where there may be some variations in the qualifications and experience of the teachers recruited, but in the meantime the pupils might be faced with an increasing share of untrained teachers.

Increased information is important to reduce leakage and improve the quality of education.²³ It is difficult to assess how much resource has been used in a systematic way on information campaigns, but evidently it has been a prioritised area. From other countries it is known that service delivery will improve if clients are informed about their rights, if the transfer of funds to local schools is transparent and if some information on relative performance across schools is publicly available.

Continuous assessment and improved incentives for teachers and school managers are important for improving learning outcomes and performance. Even if teachers are continuously trained, it is hard to see how the programme is designed to measure whether and how the competence of the pupils is increased. This requires more resources to be used on programme evaluation, data evaluation and research activities.

Program evaluation and impact analysis

For a programme of USD 1.8 billion, the Team is surprised that it lacks proper baseline data and procedures for the evaluation of impacts. The MTR discloses that the provision of data to demonstrate outcomes and to measure progress systematically against the targets represents a serious challenge and although there are a number of output variables available, no impact methodology seems to have been developed.²⁴

²² We only have available data until 2004 (based on World Development Indicators, 2007. World Bank).

²³ Reinikka, R. and J. Svensson (2005). 'Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda', *Journal of the European Economic Association* vol. 2, no. 2-3, pp. 1-9.

²⁴ The problem is recognized by the authorities and is a priority area in future work.

Data gathering also needs to include more qualitative indicators, and work needs to be done on the development of these indicators. Particular areas for data gathering could include information on the retention of students, targeting and impact assessment of the stipend programme for boys and girls, issues related to the retention rates of teachers, and quality improvement aspects of the education provided.²⁵

Fungibility: it cannot be ascertained that the government has increased its spending on education and education is not free

Expenditure per student in primary school constituted only 8.2% of GDP per capita in 2000. Neither expenditure per student and public spending on education (as a share of GDP) nor public spending on education as a share of government expenditure increased from 2000 to 2004 (which is the latest data set in WDI, 2007). The Education Watch 2006 report reveals that public spending on primary and secondary education has remained low in recent financial years.²⁶ In spite of large donor support within the sector, Bangladesh spends less on education than the average of low income countries.

According to Daily Star, The Education Watch 2006 report also says that the government's claim to be providing free primary education is not correct. It says that 59 per cent of total spending per child in government primary schools and 71 per cent of spending per child in government-assisted secondary schools come from the parents of the child. This result is alarming and should be followed up by the donor community.²⁷

Capture related to distribution of textbooks

Distribution of textbooks has largely been successful to date in terms of reaching the target group and providing timely delivery. However, the *Daily Star* newspaper revealed in February 2008 that some textbooks were available on the market rather than at the school level. Some of the free books were by mistake or capture sold in the market. There is a positive side to this story since a state-controlled press informed about this misuse of public funds and that GoB) immediately tried to investigate the recent allegations about textbooks being sold on the market.

In addition, the Team questions the need to provide each pupil with a new textbook. In Norway, for instance, used schoolbooks are very common.

Decentralisation and governance

The government lacks the capacity to manage and implement the programme effectively. Decentralisation remains a key challenge, particularly given the scale of the programme. Some of the planning processes may take longer: while it is hoped that 100% of the schools will have their planning processes sorted out by the halfway point of the new phase, currently only 13 upazilas have plans that are fully prepared, another 13 upazilas have the planning process well under way, but work remains to be done among the rest.

The impact on gender

The gender elements of this project need to be further strengthened, but a start has been made. The project includes measures such as the proactive recruitment of female teachers, reflected not only in quantitative recruitment targets but also in qualitative elements that may facilitate such recruitment,

²⁵ Things are improving. The National Assessment Cell has been established at the Directorate of Primary Education under the direct supervision of the Monitoring & Evaluation division. A National Assessment Test 2006 has also been undertaken, but we have not been able check the quality of these assessments.

²⁶ Education Watch. 2006. Financing primary and secondary education in Bangladesh <http://www.campebd.org/download/EW2006FullReportEnglish.pdf>.

²⁷ 'Govt claim on free primary education not correct'. *Daily Star* 27.12.2007.

e.g. 90% of new staff will be recruited within the sub-district, making it easier for women to apply for these jobs given their lesser geographical mobility due to social constraints.

Reduced discretionary powers in recruitment not only contribute to better governance and improving the quality of the recruitment intake under the project but, additionally, provide a better chance for women applicants to compete, since negative gender attitudes are less likely to come into play. The number of female teachers is being boosted by the intake of women through attrition/replacement and the lower qualification requirements for women teachers. Infrastructural provision such as separate toilets is also seen as an important measure in ensuring the retention of women staff.

The PEDP II programme does, however, need to pay greater attention to why component 4 – which is related to inclusive education and provides for special attention to be given to issues of gender, as well as the inclusion of tribal children, vulnerable children and children with special needs – is reported to be lagging behind compared to the implementation of other components. Four inclusive education strategies have already been developed to deal with the different categories of children, and the gender plan was the first to be prepared and approved.

The awarding of Innovation Grants under this project component has the potential to make an important difference to the lives of disadvantaged children, but grant management is still in the early stages so progress will need to be monitored. This mechanism will operate through engaging NGOs, CBOs and individuals to support schools and communities in identifying practical and creative ways to improve the quality of education for working children, those with disabilities and children from minority communities.

Although sex-disaggregated data is collected on a routine basis, the project would benefit from substantive improvements in data gathering, e.g. to assess the impact of the stipend programme on the boys and girls participating, as well as issues related to the performance of teachers. For instance, there is some anecdotal evidence to indicate that female head teachers may be performing better than their male counterparts, but as yet there is no empirical proof of this.

There are also other problems that the Team is not able to address but that the programme is well aware of, such as:

- Harmonisation of audit systems and procurement guidelines;
- A need for additional classrooms, new schools in some remote areas and residential schools in some tribal areas;
- Strengthening procurement practices and reducing risks in financial management through the application of risk mitigation strategy.

4. Assessment of Norwegian support to private sector development

Overview 2003-2007

Two main projects financed under the country programme during the period 2003-08 are aimed at private sector development: the Small Enterprise Credit Project (SECP) and the South Asia Enterprise Development Facility (SEDF). This support totalled NOK 55.3 million for the years for which disbursement figures are available (2003-06), or 14% of the country programme. In DAC terminology, total Norwegian bilateral aid to 'economic development and trade'²⁸ amounted to NOK 18 million in 2006, of which only one third was financed within the country programme and the rest through NGOs²⁹ and the private sector department of Norad.³⁰ Though Norway's involvement has been marginal, it is included in this review since private sector development has been highlighted as strategically important for poverty reduction in Bangladesh and is a priority area for Norwegian aid policy towards Bangladesh.

Within the scope of this review it was agreed to focus the assessment primarily on the support to SEDF. As outline above, the assessment is made with reference to 'relevance' and 'results'.

Case: Co-financing of the South Asia Enterprise Development Facility (BGD 3056)

A summary presentation of SEDF

SEDF is a grant-based technical assistance facility managed by the International Finance Corporation (IFC), co-financed by a group of donors, and targeting small and medium-scale enterprises (SMEs). It does not provide direct funding or loans. To date, about 80 percent of cumulative funding has gone to Bangladesh. An agreement with IFC was signed in 2003 and Norway committed a total of NOK 50 million to SEDF for the period 2003-2008.³¹ After the European Commission, Norway is the largest funder, at least in terms of commitments.

The overall goal of the Facility is to contribute to poverty alleviation through support to the development of a broad-based, inclusive and environmentally sustainable private SME sector. The focus is on capacity building and transfer of knowledge. According to the agreement between IFC and Norway, employment generation, especially for low-skilled women and men in poorer regions of Bangladesh, is emphasised (see § 3.03 of the Agreement dated 9 April 2003).

SEDF contains three main programmes, which in terms of disbursement have equal priority:

²⁸ Economic development and trade is a wider DAC category than the private sector. However, it does not include support to the energy sector, which is a separate sector.

²⁹ For instance, through support to microcredit to Strømmestiftelsen under budget line 160 (Civil society).

³⁰ Budget post 161, which includes Norfund.

³¹ The overall budget for SEDF is about 38 million USD and is co-financed by DFID, IFC, Netherlands, European Commission, Asian Development Bank, Canada and Norway.

a) Access to Finance (A2F)

The main objective of the A2F Programme is to increase access to finance to SMEs to help improve their performance and augment competitiveness, which will in turn lead to economic growth and poverty reduction. In this pursuit, A2F provides advisory services and training to selected financial institutions, termed 'Partner Financial Institutions (PFIs)' to increase their capacity to serve SMEs. A2F now focuses predominantly on capacity building advisory services to PFIs that may stimulate new financial products (including leasing facilities or equipment) and services (new SME departments have been established within banks) to SMEs. This work has been achieved through a collaborative effort with the central bank – Bangladesh Bank. In collaboration with Bangladesh's central bank, A2F is also providing training to officials of the local private and nationalised commercial banks of Bangladesh in five core risk areas.

b) Sector development business services (SDBS)

SDBS is working to develop major economic sectors by engaging directly with firms as well as service providers in the sector value chains. This is achieved through partnerships with lead firms, industry associations, financial institutions and business service providers. SDBS currently focuses on the following sectors: (i) agribusiness, (ii) light engineering (LES) and (iii) ready-made garments (RMG). Activities include cluster mapping and export promotion activities, for instance training for compliance with technical standards set in importing countries. Business linkages and management development are two cross-cutting components of the four sub-sectors.

c) Business-enabling environment (BEE)

The BEE programme identifies difficulties confronted by SMEs and designs interventions, mainly in areas of policy and regulation. Studies such as the Investment Climate Assessment and Doing Business are tools that help BEE identify relevant problems and develop strategic interventions to address them. The overall goal was initially 'to facilitate easing of constraints to business formation, efficient operations and expansion'. There are five BEE components: (i) intra/extra-regional trade (research on trade barriers, advocacy and capacity building); (ii) development of a policy and regulatory framework for SMEs (doing business reports and investment climate studies); (iii) environmental and social responsibility business programme in the sectors where SEDF is involved; iv) gender: building skills and confidence amongst businesswomen and improving access to finance; and v) knowledge centres: improving access to information and business services through the localised versions of SME toolkits, capacity building and training.

Assessment of relevance of SEDF

In relation to needs as perceived by private entrepreneurs

In business climate surveys published by the World Bank, Bangladesh scores relatively better on the ease of starting businesses relative to managing businesses. On the latter count, problems related to governance and infrastructure rank high. The rule of law seems to be a major problem, and the times required for registering property and enforcing contracts are high.

Figure 4: Ease of doing business

Series Name	Bangladesh	Low income countries
Time required to build a warehouse (days)	185	231
Time required to enforce a contract (days)	1442	572
Time required to register property (days)	425	125
Time required to start a business (days)	37	59
Time to prepare and pay taxes (hours)	400	331
Time to resolve insolvency (years)	4	3
Source: WDI, 2007; Adapted from World Bank, Doing Business project (http://www.doingbusiness.org/)		
All figures from 2006		

In a comparative perspective Bangladesh is ranked 107 out of 178 economies but is no. 10 out of 51 low income countries.³² Getting credit and protecting investors do not appear to be significant problems for enterprises, while registering property and enforcing contracts seem to be severe problems. *This indicates that in comparison to other low income countries the main impediments to SME development are to be found within the public sector – the bureaucracy and legal institutions (see Figure 4).*

Figure 5: Ranking of Doing Business among a selection of (51) low income countries. Doing business 2008

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts
Mongolia	1	8	4	11	2	5	2	19	45	2
Kenya	2	25	1	12	22	1	16	42	28	20
Pakistan	3	5	12	33	16	5	2	37	10	40
Vietnam	7	20	7	17	7	3	45	31	2	6
Ethiopia	9	22	6	20	33	10	20	3	30	14
Bangladesh	10	16	18	32	48	3	1	16	15	49
Nigeria	11	12	44	5	50	8	9	24	22	17
Nepal	12	6	24	43	3	10	12	20	31	26
Zambia	14	13	38	29	26	10	12	4	38	15
Uganda	15	26	11	1	42	38	23	8	25	24
India	17	24	28	18	21	2	4	48	6	50
Malawi	18	23	19	21	15	8	12	14	39	30
Tanzania	19	18	47	41	40	15	16	23	12	4
Mozambique	21	28	37	47	27	10	4	12	24	32
Sudan	23	18	26	37	5	25	35	9	26	34
Madagascar	27	7	30	40	44	49	9	18	18	37
Zimbabwe	30	35	49	30	13	10	20	35	46	13
Afghanistan	36	1	32	3	46	50	51	5	49	42
Congo, Dem. Rep.	51	37	29	49	31	38	37	38	34	48

Source: <http://www.doingbusiness.org/>

When ranking different obstacles to doing business, access to electricity and finance represent the major concerns in Bangladesh, as for low income countries generally (but as shown in Figure 5, the problem of finance is less than in other low income countries where Norwegian aid is involved). Value lost due to electrical outages is perceived as costing 11% of sales in 2007 – up from 3% in 2002. Political instability and corruption are also seen as serious problems faced by the business community.

The problem with access to electricity is increasing while the problem of corruption seems to be decreasing. Importantly, the *business community in Bangladesh sees corruption as a more severe problem than on average in low income countries* (see Figures 6 and 7).

³² Singapore is the top-ranked economy in the Ease of Doing Business 2008 study.

Figure 6: Main obstacles to doing business, 2007

Indicator	Low income (2007) %	Bangladesh (2007) %
	Average	Average
Electricity	43.9	42.7
Access to finance	34.6	34.9
Political instability	9.2	11.4
Corruption	3.5	4.3
Access to land	4.0	4.1
Tax rates	1.7	0.6
Customs & trade regulations	0.5	0.5
Inadequately educated workforce	0.4	0.5
Practices in informal sector	0.6	0.4
Licenses & permits	0.3	0.3
Tax administration	0.5	0.3
Crime, theft & disorder	0.4	0.1
Transportation	0.4	0.1
Courts	0.0	0.0
Labour regulations	0.0	0.0
Total	100 %	100 %
http://www.enterprisesurveys.org/		

Figure 7: Business indicators

	Low income (2007)	Low income (2002)	Bangladesh (2007)	Bangladesh (2002)
	Average	Average	Average	Average
Corruption				
% of Firms Identifying Business Licensing and Permits as Major Constraint	8	14	9	23
Value of Gift Expected to Secure Government Contract (% of contract)	3	3	1	4
% of Firms Identifying Corruption as Major Constraint	46	40	55	58
Finance				
% of Firms Identifying Access/Cost of Finance as a Major Constraint	47	31	43	42
Infrastructure				
% of Firms Identifying Electricity as a Major Constraint	80	39	78	73
% of Firms Identifying Transportation as a Major Constraint	8	14	6	25
Trade				
Average Time to Clear Direct Exports through Customs (days)	8	8	8	9
Average Time to Claim Imports from Customs (days)	10	11	10	11
Source: http://www.enterprisesurveys.org				

Apart from corruption, Bangladesh does not score worse than other low income countries regarding measures that facilitate trade and private sector development. Private sector development therefore represents a promising avenue of support, but some critical bottlenecks remain with respect to enabling factors for private sector development, infrastructure and corruption in particular.

How to assess the relevance of SEDF in view of these findings? Firstly, it is not evident from the literature that problems within the SME sector in Bangladesh are a major impediment to private sector growth. It seems to be easy to initiate new firms and there is no hard core evidence that lack of credit for SMEs is a key problem. Secondly, there is considerable room for improvement regarding governance issues, legal services and anti-corruption in particular. Thirdly, access to electricity is a major constraint. Hence, support to the energy sector represents a promising avenue, as it also represents a priority area of Norwegian aid policy.

Bangladesh faces problems financing infrastructure development within the oil and energy sector. At the same time, the enabling conditions for support to this sector are weak, and corruption problems are also prevalent in the energy sector. In line with the Norwegian priority of improving governance, more emphasis should be put on institutional development and governance issues within its private sector support.

→ *While there is justification for further support to private sector development in Bangladesh, there is a need for Norway to reassess the relevance of the SEDF approach. Rather than supporting financial intermediaries and SMEs directly, emphasis might be shifted towards energy supply³³ and the administrative and judicial enabling environment.*

In relation to poverty reduction as an overarching objective

The Poverty Reduction Strategy (PRS) of Bangladesh has a strategically prioritised policy framework that has pro-poor growth, human development and governance as its main pillars. Private sector development falls within the category of pro-poor growth. The PRS emphasises that the primary role of government is to create an enabling environment for SME development and labour-intensive industries.

Although poverty reduction remains the overarching objective of Norwegian development assistance, the key priority areas are formulated as environment and sustainable development, women and gender equality, good governance and anti-corruption efforts, oil and energy, peacebuilding, human rights and humanitarian assistance. Currently, private sector development is not part of the core priority areas. Support to private sector development is guided by a strategy document formulated in 1998. This strategy emphasises that SMEs stimulate employment and income opportunities for the poor. This argument is further reiterated in an assessment of private sector development in Bangladesh in 2002: *‘the team believes that the segment of the labour market with highest potential for growth and increased employment is the SMEs’* (see Norad, 2002:13).³⁴

In a poverty reduction perspective, it is noticeable that the strategy does not have micro-enterprises as a priority area, rather than SMEs – defined as companies with 10-100 employees. Furthermore, without any reference to research-based evidence it is claimed that SMEs use resources more efficiently than larger enterprises (and micro-enterprises) and that they are important contributors to

³³ Norway has previously been involved in support to the Rural Electrification Board that has distributed electricity to rural areas in Bangladesh. Norway has also provided mixed credits (51 million NOK in 2005). Norway has been involved in building up a Hydro Carbon Unit in the Ministry of Energy and Petroleum.

³⁴ http://www.regjeringen.no/nb/dep/ud/dok/rapporter_planer/rapporter/1998/Strategy-for-Norwegian-support-of-private-sector-development-in-developing-countries.html?id=420023. See also Study on Private Sector Development in Bangladesh. 2002. http://www.norad.no/default.asp?V_ITEM_ID=982.

pro-poor growth. *There is a need for further evidence to substantiate this assumption, and that the support to SEDF is relevant in terms of poverty reduction.*

Looking at the individual components of SEDF, the BEE programme appears to harbour some of the key principles of Norwegian aid policy focusing on gender issues, corporate governance, environment, and regional and international trade. The SDBS programme supports a selection of firms within three selected industrial sectors (including garments). It is far from obvious that development assistance has a role to play in targeting these sectors. It is questionable why these particular sectors need support in the first place and more importantly from a donor perspective, do they stimulate pro-poor growth?

How to assess the relevance of the support to SEDF in view of these findings? Further analysis is required to verify the assumption in policy documents that SME growth is an effective way to reduce poverty.

→ *It is not obvious that Norway should support private sector development through SMEs. Other avenues of private sector support might be more relevant. There is, for instance, evidence that support to micro-enterprises leads to poverty reduction and Norway has previously dealt more extensively with micro-enterprises than currently.*

Assessment of the results of SEDF

Reporting of achievements and results by SEDF

A2F³⁵

There is an increasing number of SME clients – 151,564 in 2006, which is up from 15,002 in 2003. The SME clients and SME workforce has increased threefold during the same period.³⁶ More recently, one of the most significant changes in the A2F's programmes has been to decrease, if not completely move away from, public awareness campaigns, marketing support and study tours, and focus on more sophisticated and complex areas of SME banking operations. Some of the focus areas under this new approach include the following: operating leasing, operational risk management, credit scoring, and Islamic banking product development.

BEE

SEDF has contributed to the computerisation and automation of the Registrar of Joint Stock Companies (software development, website preparation and digitisation of files, integration of four offices in Dhaka, Chittagong, Khulna and Rajshahi, training of staff in computer use, processes and software applications). SEDF has also been involved in the general Investment Climate Assessment analysis of Bangladesh.

BEE has also been engaged in the preparation and design of a Private Sector Development Support Programme (PSDSP), a US\$ 150 million joint World Bank-DFID finance initiative. Various studies, such as a study on non-tariff barriers to trade between Bangladesh and NE India and a trading needs assessment between India and Bangladesh are being finalised. To assist the garment sector obtain greater market access by compliance with international social audit standards, SEDF provided training to 30 participants on SA8000.

SEDF's Gender Strategy has been finalised and it is recommended that gender should be mainstreamed into SEDF's sector and access to finance projects instead of having stand-alone

³⁵ The achieved results are based on the summary of the three programmes to the 3 December Donor Reporting meeting.

³⁶ However, it is impossible to state how large a share of this is due to SEDF intervention. There are obviously many factors working at the same time.

projects. A survey ‘Scoping of commercial poultry farming’ was conducted in order to identify the opportunities and requirements for setting up a commercial poultry farm in the identified areas. Poultry farming is a traditional women-led business in Bangladesh.

These results were achieved by the BEE team despite challenges related to the high turnover among core team members and the lack of qualified staff in key areas of concern, for instance trade.

SDBS

As per December 2007, more than 1400 enterprises have been assisted within the key sectors and 21,000 participants were trained by SEDF.

To improve the economic competitiveness and sustainability of the RMG sector in the post-Multi Fibre Arrangement phase, IFC-SEDF designed and developed a Productivity Improvement Programme (PIP). The programme teaches the skills necessary for increasing efficiency, reducing costs, improving quality and enhancing market responsiveness, to ensure continued economic competitiveness in the quota-free market. Significant benefits to clients after one month of implementing PIP are reported.

An integrated approach to improving the industry’s environmental compliance standards was initiated. A database providing information on compliance standards at the factory level was created to convey a real picture of the compliance situation in Bangladesh.

The poultry sub-sector saw several interesting advances to improving the facilities and skill development opportunities available for farmers: superior laboratory services for 10,000 small and mid-sized poultry farms in Gazipur; better technical and marketing services made available to 80,000 small farmers through strong market linkages; and more women entrepreneurs given assistance to get involved in the poultry value chain.

In the seed sub-sector, steps were taken to improve the quality of seed production: 23,000 workers were trained in better seed production techniques through 660 contract farmers, 200 new women entrepreneurs were integrated into the seed value chain, 150 dealers were developed to provide services to 10,000 farmers, and 1600 farmers and dealers were introduced to new high quality seed varieties.

In the agri-machinery sub-sector, pilot initiatives to build the capacity of 28 rental service providers who could rent out farm machinery to farmers resulted in the development of 137 copycats, increasing the total outreach.

Assessment of impact/obstacles

A MTR³⁷ was undertaken in 2005 and a new evaluation is coming soon.³⁸ Here we will summarise the main findings from the MTR (see page iii for a summary table) and thereafter we will make some comments that are particularly related to the evaluability of impacts.

³⁷ See Mid-Term Review of South Asia Enterprise Development Facility (SEDF). Final report to IFC 24 November 2005. SQW Limited.

³⁸ An impact assessment is currently being undertaken by a consultant. The results from this study will provide an important background for a decision whether to extend the support to SEDF.

Table 1:

	Performance against indicators	Impact & additionality	Efficiency	Sustainability	Comments
SDBS					
RMG	G	G	G	G	Strongly supported by industry
Agri	S	S	S	G	Mixed success
LES	G	G	G	S	Potential to increase reach
A2F	G	E	PS	PS	Effective approach
BEE					
Trade	G	G	G	G	Some progress made
Regulatory	G	PS	PS	PS	Mixed results

E (Excellent); G (Good); S (Satisfactory); PS (Partly Satisfactory).

In the MTR the project scores high on most indicators apart from cross-cutting issues. The impact of poverty is not rated due to a lack of data. Regarding poverty impact, a new impact evaluation is in process that might provide some indications of main impacts. Regarding gender, the MTR suggests to integrate this within the other programmes.

The impact on poverty reduction

The review team has not come across any clear articulation in documents or interviews of *mechanisms* through which the Facility and enterprises being supported contribute towards poverty reduction (e.g. through employment, wages, choice of sector or taxation). Furthermore, it is evident that data so far are only available for output indicators and that few baseline data on individual enterprises are available.

The team has not seen evidence that SEDF is contributing to poverty alleviation and employment generation. So far, there are no indicators showing this. We only have access to output figures like the numbers of trained etc – but do not have any access to impact measures. Given the scale of the programme, the relatively low numbers trained and the enterprises currently reached, and that the definition of SMEs includes business enterprises below the value of \$10 million (which is quite high), it is questionable how directly these activities contribute to, and whether they constitute, ‘poverty alleviation’.

Selection bias

The programmes under SEDF are not designed in the first place in such a manner that a rigorous impact assessment is possible ex post, allowing for a counterfactual analysis. One particular issue is the selection bias in the programmes. In selecting client entrepreneurs there are apparently *no clear selection criteria*. For example, there is no well-defined criterion for what constitute an SME, merely an acknowledgement that there are a number of definitions. There is a striking lack of information about the average client profile and it could not be determined which of these definitions (if any) were being used by the Facility. The qualification threshold is quite high – ‘anything below \$10 million’. It is encouraging that non-traditional female entrepreneurs in the light engineering sector were supported, but the selection criteria for women entrepreneurs are not evident.

In general, there appears to be a *high degree of self-selection*, whereby the project works with those banks and institutions taking the initiative and coming forward to express their interest (demand driven). It is reported that projects were essentially taken up on an ‘ad hoc basis but only where the projects seemed to have some benefits that would eventually increase access to finance to SMEs’.

Some banks proved more responsive to the issues put forward by SEDF than others, e.g. Eastern Bank. While this is not necessarily a bad thing (although it might impede competition), it does raise the question whether SEDF needs to be more proactive in nurturing and developing a more widely-based constituency than it is currently dealing with. Self-selection will make impact evaluation of the programme difficult as we do not know whether a good score stems from the impact of the programme or that the programme has selected good clients that in any case will perform well.

Urban bias

The activities currently supported by SEDF are *strongly Dhaka-based*, with the exception of agribusiness activities focused on seeds, agribusiness machinery and light engineering. As with financial services, many of these activities are channelled through local dealers, who are seen as the best agents through which to reach small farmers. This does, however, raise the question of whether SEDF is in fact benefiting these middlemen, or the banking sector, disproportionately.

Inadequate gender focus

The experiences with addressing *gender issues* were described as unsuccessful, largely because the three women's associations supported were viewed as clubs of the privileged. It was stated that gender and environmental concerns would be 'big in the next phase', even though they had not been viewed as areas of success in the past; just how this would be done was not quite made clear. In the case of gender, the jargon appeared to centre around the concept of 'dis-integrating' – a scenario where mainstreaming of gender concerns would take place through each sector having its own gender log frame, against which implementation, monitoring and evaluation activities would take place.

A conceptual framework for the private sector is missing, leading to a lack of focus.

SEDF lacks a conceptual framework (for instance through a welfare analysis focusing on market failures and prerequisites for well functioning markets) for why one should provide private sector support and how this can best be done in Bangladesh (e.g., credits to SMEs, training or institutional development). This calls for a needs assessment, including an analysis of the enabling conditions for private sector development. In spite of a log frame analysis, priorities seem unclear, and without priorities tasks are endless. When tasks are endless, one risks activities being chosen arbitrarily or ad hoc.

SEDF seems to be dealing with a number of issues at the same time without a common thread. Despite SEDF undertaking a business climate analysis, a clear analysis of Bangladesh's needs which is linked to the current activities of SEDF is lacking. The motivation for the selection of projects is unclear.³⁹ For instance, why should one pick three sectors to focus on?

The sector approach might be misplaced

There is little research-based evidence in support of a strategy of picking particular sectors for support. Comparative advantage and specialisation patterns are difficult to reveal – so is the right industrial policy to support particular sectors. In fact the sector approach might be misplaced, as externalities, the motivation for providing aid in the first place, in many cases are related to specific activities across sectors (learning spillovers, coordination failures, information asymmetries, infrastructure).⁴⁰ The policy prescription of market failure is not to support specific sectors but to deal directly with the activity that creates the externality or the enabling conditions addressing

³⁹ In comparison, the conceptual framework for ADB's support to private sector development seems much clearer. ADP (2006). Private Sector Development: A Revised Strategic Framework.

⁴⁰ See Wiig et al. (2007). Will International Trade Reduce Poverty? A Background Note to Norad (CMI Report R 2007: 16).

market failure. One might also risk supporting a sector that does not have a competitive advantage – reducing the necessary adjustment and bias the competition in product markets.

More focus on corruption needed

The focus on registration of business seems misplaced given the findings from business climate studies. What about more important business-enabling conditions such as corruption and the burdensome procedures to enforce contracts? It is probable that on these factors other parts of Norwegian bilateral aid policy might play a more significant role (through their support to civil society; see section.5. The Team has not seen any reference to how SEDF is dealing with the huge corruption problems in Bangladesh. For instance, in its work with the banks and the target sectors; there is no reference to corruption in the material studied.

When enabling conditions are weak, institutional development is of great importance for improvement. Capacity building activities by themselves, such as in-house training, do not change institutional behaviour. As corruption is one of the key problems facing the private sector, it is remarkable that SEDF seems to give it only minor emphasis.

Is IFC the right international partner?

It is an open question why the garment sector is not able to facilitate training programmes by itself after having been in the worldwide trade for nearly 30 years. And if not, why should IFC be included in this? ILO has traditionally been involved in such programmes and the competitive advantage of IFC can be questioned. Can IFC claim to be a catalyst in a field where ILO has been involved for more than 20 years, as in the training of garment workers? Saying that, the idea of creating training centres where employees are trained seems more promising than in-house firm-specific training. Training centres represent public goods and are less likely to distort competition.

Apparently, SEDF is appreciated within this sector because of its ‘private sector appearance’. By contrast, ILO is allegedly disliked/ignored/has little impact because of its lack of presence on the Bangladesh scene and its perceived labour bias. It is questionable whether this is an altogether objective assessment of ILO and the comparative advantage of IFC.

5. Human Rights and Gender Sector

Overview 2003-2007

In addition to the interventions supported in the education and private sectors, Norway also provides direct support to a selection of civil society partners in order to address cross-cutting concerns related to governance, human rights and gender equality. The five priority areas identified by the policy document 'Human Rights and Democracy in Bangladesh - A Plan for Norwegian Support' (2001) seek to address issues related to access to justice, livelihoods and land, child labour, trafficking of women and children, and gender discrimination. Projects included under this portfolio address those concerns through a combination of activism, public and policy advocacy and the provision of support services to vulnerable communities.

During the period 2003-2006, NOK 37.5 million, or 10% of the country programme, was spent on supporting human rights and good governance (DAC code 151-152) through a large number of diverse projects, including the project on Follow-up of the Peace Agreement of 1997 in the Chittagong Hill Tracts, which spent NOK 5 million in 2004 and NOK 2.5 million in 2006. During the same period, around NOK 30 million, which constitutes around 8% of Norwegian bilateral aid under the country programme, has been disbursed directly to projects supporting gender equality (code 420). Between 2003 and 2006, total Norwegian aid to women's advancement constituted NOK 36 million. While projects directly targeting women have been largely stable over the period, the corresponding increase in funds allocated to education indirectly targets gender equality through reaching out to girl children.

Within this sector, Norway supports human rights organisations such as Madaripur Legal Aid Association (MLAA), Samata and Ain O Salish Kendra (ASK), which address women's rights in terms of access to justice and resources, and women's organisations such as Bangladesh Mahila Parishad (BMP) and Naripokkho, which focus on issues of violence against women (VAW) and women's political empowerment. The importance of the latter is reflected in the gender empowerment measure (GEM) for Bangladesh, which reveals whether women take an active part in economic and political life. Bangladesh ranks 81 out of 93 countries in the GEM, exposing the inequality that exists in terms of earned income and the low representation of women in positions of authority in the public sphere, including politics⁴¹.

We have analysed two case studies in more detail:

Case 1: Promotion and Protection of Women's Human Rights in Bangladesh (2004-2007) – Bangladesh Mahila Parishad (BGD 2538)

Bangladesh Mahila Parishad (BMP) is the largest women's organisation in Bangladesh and operates at both the national and local level with over 134,000 members working through 500 committees and a presence in 59 districts. Norwegian assistance to the project is NOK 14.5 million. The aim of the project is to promote women's empowerment, mainstream women's issues into national development policies and reduce the incidence of VAW. Accordingly, activities have been organised around five components that focus on violence against women, political empowerment of women, networking for women's human rights, advocacy for policy change and capacity building of BMP.

⁴¹ UNDP, Human Development Report 2007/2008, Country Fact Sheets – Bangladesh.

Case 2: Consolidating the National Platform for Women's Movement – Naripokkho Doorbar Network (BGD 2537)

The Doorbar Network was set up in 1996 through Naripokkho as part of the follow-up to the Beijing Conference recommendations. Norwegian assistance to the project is NOK 12 million. Doorbar has a nationwide presence through its 550 member organisations, and support provided to the network is expected to contribute significantly to strengthening the women's movement in Bangladesh. The project components focus on building the capacity of member organisations to deal with VAW and promoting the political empowerment of women, as well as strengthening the network through developing effective management systems.

The Doorbar Network is designed as a movement for change, reflecting Naripokkho's strategic approach to women's empowerment, which contrasts with the more traditional approaches directed at women's survival and welfare by some other organisations. This difference in approach is also evident in its activities around VAW, which include providing support and a safe space for women survivors of violence who may continue to be at risk from their attackers, in addition to lacking support from their families and law enforcement agencies. One of Naripokkho's strengths relates to its tradition of volunteerism and activism, which it shares with organisations like BMP, but in the case of Naripokkho political commitment is combined with a degree of professional capability among individual members that contributes significantly to its overall effectiveness.

Assessment of the relevance of gender projects

In relation to needs

The importance of this support can only be understood by viewing such interventions within the wider context of a generally conservative society where human rights violations are an everyday issue and violence against women continues to be unacceptably high. Furthermore, the growing influence of fundamentalist elements, combined with widespread apathy regarding these issues at the government level, makes a strong case for this kind of supplementary support to the human rights sector.

Among the raft of issues identified by human rights observers within and outside Bangladesh, particular concern has been expressed over the frequency of extrajudicial killings by the security forces, including the police and the Rapid Action Battalion (RAB); the incidence of arbitrary arrest and detention under national security legislation such as the 1974 Special Powers Act, under which citizens can be detained without the filing of formal charges; the abysmal conditions in prisons – which contribute to custodial deaths – and the failure to detain juveniles in separate facilities from adults; the frequent use of torture, including physical and psychological abuse by the security services; the incidence of widespread political violence, and the use of unwarranted force to suppress demonstrations; the backlog in the judicial system, contributing to lengthy pre-trial detention; the denial of fair public trial, and concerns over the corruption, politicisation and inefficiency of the judiciary; the discrimination experienced by minorities, notably the indigenous communities living in the Chittagong Hill Tracts and elsewhere, and the Ahmadiyya religious community; the forcible resettlement of slum dwellers; and the common practice of vigilante killings by mobs of citizens.

It is noteworthy that while the law provides for freedom of speech and the press, in practice recent governments have infringed these rights, with attacks on journalists and newspapers being all too common. In its 2005 ranking of press freedom⁴², Reporters Without Borders (RSF) ranked Bangladesh 151 out of 167 countries reviewed, reflecting both the lack of freedom for journalists

⁴² US Department of State, Country Reports on Human Rights Practices – Bangladesh, 2006.

and news organisations and the absence of efforts on the part of the state to safeguard press freedoms. Despite the establishment of a caretaker administration in January 2007, concerns remain over its declaration of a state of emergency and allegations concerning continuing practices of torture and human rights violations by elements within the security forces⁴³.

While often focusing on issues related to good governance and access to justice, the human rights projects supported by Norway also tend to have a strong focus on gender equality. This is not altogether surprising given that women are among the most deprived and oppressed elements of Bangladeshi society, with gender identity frequently cutting across other issues such as class and religion to act as a disadvantaging factor. The extent of discrimination faced by Bangladeshi women is reflected in a range of socio-economic indicators, including an adult literacy rate for women that is only 75% of that for men⁴⁴, as well as a significant gender gap in wages and strikingly divergent ownership of assets between women and men, this economic deprivation constituting an effective barrier to progress towards greater equality. Religion-based personal law also undermines equality, e.g. Muslim men may marry up to four times, though the written permission of the first wife is required before marrying a second time; under Hindu law, unlimited polygamy is permitted. Child marriage continues to be common, although the official age of marriage for girls is 18 years. Existing inequalities are also indicated by the fact that Bangladesh's Gender Development Index (GDI) is lower than its Human Development Index (HDI) value.

The issue of violence against women is of particular concern among organisations working in the sector, and with good reason. Gender-based violence is alarmingly widespread in Bangladesh, and it takes forms that include domestic violence and spousal rape, trafficking, psychological and emotional abuse, rape, assault and acid-throwing. Perhaps most worrying is the widespread prevalence, as well as acceptance, of violence that takes place within intimate relationships. Women are themselves conditioned to accept such behaviour as 'normal'. In rural Bangladesh, almost three quarters of the women surveyed in a WHO study felt that a wide range of reasons ranging from infidelity to unsatisfactory housework justified wife-beating⁴⁵. Demands for dowry are a common trigger factor behind marital violence. The fact that VAW in any form can have consequences that include not only the immediate physical and psychological suffering of the victims and survivors but also long-term health impacts – as well as inter-generational damage to children, and at the macro level losses to the national economy through ill health, loss of workdays and medical expenses – is not always fully understood.

In relation to overarching objectives

The projects are in accordance with Norwegian development co-operation policy and principles, which have the promotion of equal rights and opportunities for women and men as one of five main goals. Furthermore, Norwegian policy states that the promotion of women's rights is essential in order to fight poverty. The policy framework for Bangladesh also addresses these issues, the National Strategy for Economic Growth, Poverty Reduction and Social Development (March 2003) including a strategy for women's advancement and the removal of gender gaps. The MoU signed between Bangladesh and Norway in 2003 mentions that good governance and respect for human rights should be considered at an overall level. In light of the widespread gender discrimination and issues of VAW at the country level (already elaborated in the Overview section), the relevance of these projects is clear.

⁴³ Human Rights Watch, Bangladesh Country Summary, January 2008.

⁴⁴ UNDP, Human Development Report 2007/2008, Country Fact Sheets – Bangladesh.

⁴⁵ WHO, Multi-Country Study on Women's Health and Domestic Violence Against Women, 2005.

Assessment of the results of the gender and human rights portfolio

The outreach and activity of the organisations supported within this sector means that they are making a difference within Bangladeshi society on a range of issues across a nationwide canvas. The fact that Doorbar has managed to increase its membership to the target of 550 planned for this phase indicates the effectiveness of its expansion strategy and it has also thereby strengthened its presence at the grassroots level. As for BMP, one of its major strengths has been that it is widely recognised at the district-level around the country.

This networking element in both organisations has contributed to an overall strengthening of the women's movement in Bangladesh. Among other things, smaller organisations working within networks such as Doorbar are provided a platform where diverse voices can be heard, and Doorbar can provide support to smaller organisations in a way that would otherwise be beyond the reach of any donor organisation. Working together within the wider framework has not only allowed small organisations to develop greater conceptual clarity, it has also allowed for the identification of common priorities and shared understandings of key issues. This has facilitated the process for diverse organisations within the women's movement to work together on issue-based campaigns such as VAW. It has also allowed the organisations concerned to build on each other's diverse experiences and particular areas of expertise.

While most of the NGOs supported by Norway face challenges in terms of professionalising their financial systems and internal structures, it must also be recognised that they are in many ways going against a dominant culture that is essentially hierarchical and non-transparent. Like Madaripur Legal Aid Association (MLAA), Ain O Salish Kendra (ASK) and Samata, BMP and Naripokkho also face common challenges related to the institutionalisation of financial and administrative management systems, as well as issues that are particular to each organisation, e.g. developing participatory leadership (BMP) and achieving decentralisation and greater independence from Naripokkho (Doorbar Network).⁴⁶ Furthermore, because rights-based organisations are often led and staffed by activists, professionalising management and setting up sound administrative and financial systems can be a challenge. But efforts are currently underway to address these issues in both organisations.

There is undoubtedly empirical evidence to indicate that many of Norway's NGO partners are highly effective and doing important work at the country level. It is also worth noting that these rights-based organisations are a good fit with Norwegian priorities in terms of principles and approach. In some cases, individual organisations are responsible for bringing new ideas and challenging long-held beliefs among their fellow activists e.g. Naripokkho is one of the relatively few organisations that are outspoken in opposing the death penalty. And as one partner organisation made clear, in order to justify its support for human rights and gender equality Norway just has to read the evaluations already undertaken.

By supporting marginalised and disenfranchised elements within society to access justice and fight for their rights, NGOs working in this sector not only provide a means of redress to those who are often neglected or excluded from formal structures, they also make a potential contribution to better governance by holding the state responsible for protecting the rights of its citizens. Both BMP and Naripokkho's activities include helping women to navigate the labyrinthine judicial and law enforcement systems in an adverse socio-legal milieu. By doing so, they help to promote the idea of greater transparency and accountability from institutions of the state.

⁴⁶ Dr. Kate Young, Dr. Fouzia Mannan and Ms. Rabeya Rowshan, *Assessment Report for Naripokkho on the Doorbar Network*, 2007.

Naripokkho has also been particularly active in supporting the rights of minorities and taking direct action for the protection of human rights. In instances where members of minority communities such as Hindus and the Ahmediyyas have been threatened, local activists from the Doorbar Network have provided organised support and made their presence felt in the relevant areas. Areas where there is potential to explore further include not only the ongoing work on gender-based violence, but also examining human rights dimensions such as social marginalisation (e.g. minorities, those with disabilities) and age (e.g. within households, children and the elderly tend to be particularly vulnerable), in addition to the more commonly considered issues of poverty and gender. One example of such an intervention has been the work initiated by the Doorbar Network in helping sex workers' groups – including trans-gender people – and Urdu-speaking minorities to set up their own organisations.

Other useful areas of focus could include establishing linkages to the anti-corruption movement as well as developing more strategic interventions to promote women's political participation – not only as voters, but as actors within political parties and the wider political system that has to date successfully marginalised them. Although this will be a challenge, both BMP and Naripokkho have identified women's participation within the holistic political process as a priority, and have initiated activities to facilitate the process of more effective participation.

Other projects within the human rights portfolio were also found to contribute directly to greater gender equality. A 2007 Review found that MLAA addressed empowerment issues, particularly women's rights and gender equality, with a high degree of effectiveness, specifically reaching the poorest and most marginalised elements of Bangladeshi society⁴⁷. Norway's decision to phase out from the project has meant a reduction in the free legal aid component, and hence, ironically, there is a danger that these cutbacks may hit poor women the hardest.

In promoting gender equality, the current Norwegian approach is highly effective, with stand-alone gender projects being supported alongside attempts to mainstream gender issues in other sectors supported by Norway. The concentration within the human rights and gender sector is significant, given that many of the organisations supported have a nationwide outreach. Co-ordination attempts are underway on an ongoing basis, particularly where common priorities exist, e.g. in advocating for a Uniform Civil Code to replace the religion-based family law that currently operates for different communities. Awareness raising and advocacy are common concerns for the organisations working within this sector. The issue of recipient responsibility is also being effectively addressed, given that the different stakeholders (GoB, NGOs, civil society and women's organisations) have diverse priorities.

⁴⁷ Tahlee Afzal, Jamil Uddin Ahmed and Tora E. Kasin, *Review and Appraisal of Madaripur Legal Aid Association Projects 'Access to Justice and Human Rights' (2007-2010) in Bangladesh*, 2007.

6. Future aid

Bangladesh faces today a number of political, economic and environmental challenges. Poverty remains severe despite high growth rates, the political situation is unstable and governance is weak, and climatic change may cause tremendous destruction. How should these factors influence the future partnership between Bangladesh and Norway? These are some of the questions addressed below.

Should Norway continue bilateral aid to Bangladesh?

Significant staff reduction without justification and dialogue

The Team is surprised to find that a decision has been taken by the Ministry of Foreign Affairs to reduce the Embassy's diplomatic staff to three with effect from summer 2009 (from 8 to 6 in summer 2007, from 6 to 4 in summer 2008 and from 4 to 3 in summer 2009, combined with a similar reduction in local staff) prior to this review and prior to a thorough discussion on how to continue the development partnership with Bangladesh. There has been no discussion in the Storting or in the public domain despite Bangladesh having been a main co-operating partner for more than 30 years, nor has any explicit justification been made for reducing the staff. A significant reduction in the staff at the Embassy will unavoidably influence the quality, the size and the targeting of Norway's future aid activities in Bangladesh.

By implication, budgetary and management issues regarding the distribution of staff across embassies are now setting the agenda for future aid to Bangladesh. The efficiency and effectiveness of the aid is likely to be influenced by such a management decision. In an ideal situation, embassy staffing should reflect the role Norway wants to play in the country.

Below, justifications for further development assistance to Bangladesh are discussed. This is based primarily on the assessment of past experience, but includes also references to Bangladesh's current development situation.

Poverty

A large number of the world's poor are located in Bangladesh. The growth rate of the economy is not yet large enough for Bangladesh to achieve the MDG objectives. Bangladesh also lacks internal resources for financing its Annual Development Programme. At the same time, Bangladesh is undergoing a structural transformation from an agricultural society to a transitional economy, mainly based on services. Not enough is known about how the poor are being influenced by these changes and efforts need to be made to design policies and proper aid mechanisms for reducing mass poverty.

Geopolitical

Although the domestic political situation is messy, Bangladesh might play an increasing geopolitical role as the world's fourth largest muslim country. Its geographical location is also strategically important in the China-India relationship, as well as in relation to future developments in Burma.

Despite recent developments, Bangladesh in essence remains a moderate Muslim majority country that has made considerable progress on social indicators. Emerging fundamentalist forces in Bangladesh, the need for a preventive approach to arrest such elements and the limitations of the GoB in addressing these issues make up a clear rationale for support.

There is a real fear that if Norway's presence at the country level diminishes significantly, an important progressive voice will be lost. Given the current climate of resurgent fundamentalism within Bangladesh, the vacuum created might perforce be filled by less desirable elements. Among various stakeholders, there is agreement that although the size of Norway's development contribution is small as a proportion of the overall funding Bangladesh receives in the sectors under discussion, the quality and impact of Norway's participation in the development discourse is far more significant than might be expected.

Exit

A Norwegian exit from government-to-government cooperation may contribute to destabilising the current regime, which seeks to improve governance and reduce corruption. At the same time, if the election is significantly delayed and human rights violations are perpetuated, there has to be a limit. Other donors will revisit their policies. Norway should follow suit, but 2009 or 2010 may probably be a better time to do so than now.

No clear exit strategy has been discussed with the main partners involved and if such discussions do not take place, Norway may risk losing its reputation as a predictable and reliable development partner. For those partnerships where Norway plans to phase out its support, it is strongly recommended that this be done through a transparent and consultative process, in keeping with past practice in Norwegian development co-operation. Ideally, this should be done through an agreed exit plan or phasing-out strategy. A number of Norway's partners have expressed distress at the way in which the process is currently being handled, in some cases describing it as very much a 'fait accompli'.

In cases of phasing out, it is felt that a constructive measure would be for such organisations to be assisted in establishing linkages with Norwegian NGOs, in order to facilitate potential partnerships. And in cases where there remains a commonality on principal issues but Norway's on-site presence is seen as insufficient to retain existing partnerships, Norwegian support could continue to be provided through other funding mechanisms such as umbrella organisations and other lead donors such as ADB.

Environmental and humanitarian concerns

Bangladesh is one of the countries that would be hardest hit by an increase in the sea level. There is a need to assist with capacity for handling natural catastrophes, as well as with long-term adaptation to climate change.

Should Norway continue its support based on the current priorities of the MoU?

Should Norway stay in the same sectors?

Norway has been supporting the education sector for a long period and both the core projects have worked well. There is no clear MDG or other justification for withdrawing from the education sector. The fact that education is not within Norway's current priority areas for development aid, may however require a change in policy.

Although Norway is one of the smaller donors within the consortium, Norway's active presence and continued participation in the programme is highly valued, particularly because of its commitment to social issues.

There might also be justification for continued support to private sector development, particularly when this is taken to include the energy sector. The needs are substantial, both regarding support to infrastructure development and governance issues, but the support should be based on a clear strategy.

Human rights in Bangladesh remain a sensitive issue and despite its rhetoric on gender equality, in recent years the GoB has displayed a lack of active interest in this sector – this in spite of pressure from its development partners. Furthermore, entrenched social conventions and attitudes about gender roles mean that at the best of times, this is a challenging sector in which to attempt change.

Given the emergence of fundamentalist elements at the country level in recent years – including the presence of the Jamaat-e-Islam as part of the last elected administration – it is essential to recognise that this is not the easiest of times to be working on human rights issues in general, and gender issues in particular. That in itself, however, provides a strong rationale for continuing to support this sector in order to hold on to hard-won gains by progressives in recent decades. Furthermore, Norway is highly appreciated by the NGO sector.

Is there justification for moving into new areas within current sectors and if so, what are the aid modalities for this?

A main point of departure is that the control of the funds should follow the money. That means, if funds are provided under the CP, the Embassy should control the use of the funds (as the Asian Department within the Ministry of Foreign Affairs lacks the capacity to follow aid projects, this means in practice that the Embassy or someone delegated from the Embassy should control the use of the funds). Similarly, multi-bi aid should be also controlled by the Embassy. Funding through other budget lines than the CA is mainly controlled by Norad.

At the same time, the findings of this review suggest that a good quality, effective relationship with Bangladesh requires a well staffed Embassy. The capacity of the embassy to pursue a close dialogue with partners has been vital in securing the effective use of the Norwegian support, both in education and HR/gender. Where the support has been more directly handled by HQs, e.g. private sector support, it seems that it has been more difficult for Norway to develop a 'second opinion', so to speak, and engage in a discussion on substance and approach.

There are also mandatory requirements and procedures for implementing and following up development projects.⁴⁸ This means that under the current rules and regulations, development projects cannot be handled properly by the Embassy without having a sufficient number of Norwegian staff.

Within the education sector, it will probably be easier for the Embassy to support PEDP into a new phase than to continue its support to BRAC, mainly because of capacity constraints. BRAC does not accept sleeping partners and lack of staff at the Embassy will make it difficult to be an active partner. One might even consider delegating control of the funds to other donors, Sida for instance. At the same time, Norway would then lose some of its political influence and the ability to focus on its priorities.

NGO support undoubtedly requires an on-site presence for Norway in Bangladesh. Even with a reduced embassy staff, it is recommended that such NGO partnerships – along with advocacy with the GoB, as well as other development partners – are recognised as priority issues for staff. The long-term nature of the partnerships it has developed contributes significantly to the success of its efforts in this sector. In order to maximise the impact of the work being done and to hold on to the gains already made, it is recommended that the financial commitment level not be reduced significantly in the near future.

It is also necessary to recognise that the gender and human rights organisations supported by Norway are likely never to achieve financial viability; after all, Norwegian women's groups continue to get funding from the state in a situation that is far more advantageous. Hence, it might be worth considering how best to facilitate continued external support for such NGO partners, e.g. through the establishment of multi-donor funds, umbrella organisations or endowment funds of some kind. Organisations like Manusher Jonno provide one such option, although more time may be required to determine its effectiveness accurately.

If Norway wants to continue to support private sector, they must develop a convincing country specific strategy for this.

⁴⁸ These are described in the MFAs "Development Cooperation Manual" and include; platform for dialogue, programme document, appraisal, appropriation document, agreement/contract, progress/financial/audit reports, work plans and budgets, disbursements, annual meetings, field visits, reviews and evaluations, completion document. These requirements and procedures are controlled by the Auditor General's Office in Norway through inspections at the embassies.

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Appendix 1: TOR

Mid-term review of the Memorandum of Understanding between Norway and Bangladesh concerning Development Cooperation (MoU)

The MOU was signed on April 20th 2003. This review is commissioned in agreement with paragraph 6 of the MoU:

A mid-term review should be conducted approximately three years after the signing of this MoU to assess the results of the cooperation as well as the development challenges facing Bangladesh. The review should be linked to the goals set out in the I-PRSP and the Three Year Rolling Plan as well as to the millennium Development Goals.

Purpose

The purpose of the review is to:

- Assess the results and experiences derived from the development cooperation between Norway and Bangladesh since the MoU was entered into.
- Based upon the experiences and results from the MoU, and in light of the two rounds of diplomatic staff reductions at the Norwegian Embassy in Dhaka.,highlight options for future cooperation.

Content of the review

1) Description of the context

The first chapter shall briefly describe the political, economic and social context in Bangladesh, including changes during the time period. Changes in size and profile of the Norwegian development cooperation with Bangladesh shall also be described briefly. This part shall not exceed three pages.

2) Review of the existing MoU

The review shall in relation to the existing development cooperation address and will be based upon a selection of projects made by the team, in dialogue with the Embassy and the MFA:

- a) the relevance of the objectives for the cooperation and priority sectors (i.e. education, good governance and private sector development) in the MoU to the Bangladeshi context and to the Bangladesh' Poverty Reduction Strategy (PRS) of November 2005.
- b) whether the development cooperation has been successful in terms of achieving objectives and results described for the development cooperation programme. Possible obstacles to achievement of the objectives and for the implementation of development cooperation programs/projects shall be described as well as the ways these obstacles have been dealt with. Alternative ways of addressing the obstacles to development cooperation in Bangladesh shall also be suggested. Given the brief time-span of the MoU, results from the relevant sections of the previous MoU may also be used in the review.
- c) Briefly review the suitability of the way the Norwegian development cooperation with Bangladesh is structured in relation to how other countries and development organisations have shaped their development cooperation with Bangladesh.

This part of the review shall not exceed 12 pages.

3) Lessons learned for future cooperation with Bangladesh

The review shall, based on the discussion above,

- Rank the results from the different sectors in the bilateral cooperation based upon total efficiency, effectiveness, gender and environmental sensitivity, sustainability, risks and risk management, in particular anti-corruption efforts.
- Discuss how the overall bilateral relations with Bangladesh can be made as relevant as possible to the GoB's policies for international development cooperation and its efforts to curb corruption and promote good governance, gender equality, environmental sustainability and possible effects of global warming. There will be a particular discussion concerning gender equality. Development assistance shall be seen as only one of several instruments in Norway's bilateral relations with Bangladesh and the suggestions should be related to the overall strategic approach in relations. Innovative thinking and suggestions for new areas and topics for cooperation are welcomed. Special focus should be on possibilities of pooling resources with other donors, including multilateral organisations and, international finance institutions, in order to achieve economies of scale and minimize the administrative burden of project management at the Norwegian Embassy in Dhaka. This will be done within the limitations set by the Development Cooperation Manual and with reference to the existing agreements and contracts for the development assistance portfolio.

This part of the review should fill approximately 5 pages.

Guidelines for the work

The team shall consist of one person appointed by Norad, and who will lead the team, and one independent consultant proposed by Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh. Gender balance among the team members is encouraged. The team-member appointed by Norad will be assisted by other researchers at CMI or associated with CMI, for up to 6 working days, allocated 3 days for further discussions and quality control and 3 days for a gender-expert.

The Norwegian Ministry of Foreign Affairs (MFA), Oslo, and the Norwegian Embassy (the Embassy) in Bangladesh, may be represented in the team on a part-time basis as observers.

The team leader will be assigned 10 days for preparation, 5 days for field work in Bangladesh, 2 days travel time and 10 days for report writing. Up to 6 additional days may be used for quality control work and gender aspects as described above.

The local members will be engaged for 5 days of preparation, 5 days of field work and 3 days of report writing. The review shall be carried out between February 4 - 14 2008.

The review shall start with a preparatory phase with meetings in Norway for the Norad-appointed team member there, and reading of documents (see annex list of relevant documents). Thereafter the team will visit Bangladesh where it will meet with relevant partners such as Bangladeshi authorities, donors, partner organisations and the Norwegian Embassy.

The team leader will present preliminary findings to the Embassy before leaving Bangladesh. A draft report should be submitted to the MFA, Norad and the Embassy by March 12. The Embassy will forward the draft report to the appropriate contact for comments from the Government of Bangladesh (GoB). The MFA, Norad, the Embassy and GoB will then have two weeks to comment on the draft report. Thereafter, the final report should be prepared by April 4th. Norad will be the contract partner for the review and in particular for the consultant selected by Norad.

Norad will cover the costs of the person selected by Norad. The Embassy will cover expenditures for the participation of the team member selected by the ERD.

Reporting

The main text should not exceed 20 pages plus an executive summary and annexes. The executive summary shall include a summary of the main findings and recommendations. The report shall be written in English.

The report shall be sent to the Royal Norwegian Embassy in Dhaka with a copy to the Ministry of Foreign Affairs and Norad in Oslo. Norad will handle all contractual details.

Background documents (this may not be a completely exhaustive list):

- Bangladesh' poverty reduction strategy.
- A selection of analytic documents prepared by e.g. the Bangladeshi government, donors, NGOs and research institutions.
- The Norwegian Parliament's proposition no. 1 (State budget) from the relevant years.
- The Embassy's General Plan of Operation, 2003-2007.
- The Embassy's long term strategic plan 2007 – 2010.
- The Ministry of Foreign Affairs' Allocation Letter for 2008.
- The Embassy's reports on governance issues and its semi-annual reports in the relevant time period.
- A selection of reports from the embassy to MFA assessing development cooperation programmes in 2003 and later.
- Letters and minutes of quarterly meetings between the Embassy and the Economic Relations Division, Ministry of Finance, GoB.
- A selection of project and programme reports from partners being supported as a part of the development cooperation with Bangladesh.
- The Soria Moria Declaration and various documents representative of the present government's thinking on development cooperation and bilateral relations with developing countries, including MFA documents on categorisation of development co-operation countries.
- The Development Cooperation Manual

Appendix 2: Meetings

Name	Title	Institution
Dr. Quazi Shahabuddin	Director	BIDS
KAS Mushid	Research Director	BIDS
Professor Rehman Sobhan	Chairman	Centre for Policy Dialogue and eminent economist
Farooq Sobhan	President	Bangladesh Enterprise Institute
Professor Mustafizur Rahman	Executive Director	Centre for Policy Dialogue
Mr. Anwar Hossain Khan	Head of Hydro Carbon Unit	Hydro Carbon Unit
Brajesh Panth	Donor coordinator for the PEDP 2 project	ADB
Mr. Musharraf Hossain Bhuiyan	Secretary	Ministry of Primary and Mass Education (MoPME)
Imran Martin	Director of research	BRAC
Shafiqul Islam	Project coordinator education project	BRAC
Mr. AKS Shamsuddin	Former Secretary of Education	
Dr. Iftekhar Zaman	Executive Director	Transparency International Bangladesh
Kushi Kabir	Head of NGO	NGO Nijera Kori
Jerome Sayre	Deputy Country Director	The Asia Foundation
Professor Mohammad Tamim	Special Assistant of the Chief Advisor, Professor Bangladesh	Ministry of Power, Energy & Mineral Resources
Mr. Deepak Adhikary	Head of SEDF	SEDF
Aminul Islam Bhuiyan	Secretary	Economic Relations Division
Mr. Sefaul Alam	Director	Hydrocarbon Unit
David Martz	Operations Officer	International Finance Corporation
Ola Hallgren	Counsellor, head of Development Cooperation	SIDA
Bo Sundstrom	Head of Corporate Business	Department for International Development (DFID) Bangladesh
Jim McAlpine	Deputy Country Representative / Head of Programme Management	DFID
Sarah Sanyahumbi		DFID
Ingebjørg Støfring	Ambassador	Royal Norwegian Embassy Bangladesh
Ingrid Turkerud Haug	First Secretary	Royal Norwegian Embassy Bangladesh
Morshed Ahmed	Financial Controller / Development Adviser	Royal Norwegian Embassy Bangladesh
Kristian Jervell	First Secretary	Royal Norwegian Embassy Bangladesh
Arne Haug	First Secretary	Royal Norwegian Embassy Bangladesh
Morshed Ahmed	Financial Controller/Local Adviser	Royal Norwegian Embassy Bangladesh
Irene Parveen	Local Adviser	Royal Norwegian Embassy Bangladesh

Erik Berg	Senior Adviser	Ministry of Foreign Affairs, Norway
Anne-Mette Kirø		NORAD, JUR
Harboe Henrik	Director	Section for Multilateral Bank and Finance section, MFA, Norway
Marianne Berg Haaland	Adviser	Multilateral Bank and Finance Section, Norway
Marianne Berg Haaland	Adviser	MFA
Espen Rikter-Svendsen	Senior Adviser	MFA
Tove Kvil	Senior Adviser	NORAD

Appendix 3: ODA to Bangladesh

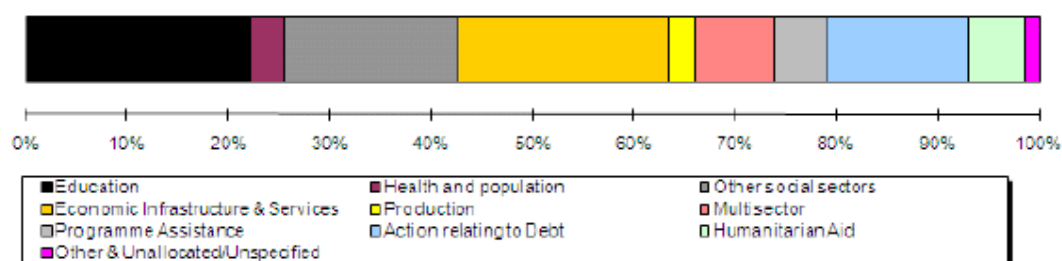
Bangladesh

Receipts	2004	2005	2006
Net ODA (USD million)	1 412	1 336	1 223
Bilateral share (gross ODA)	50%	42%	45%
Net ODA / GNI	2.4%	2.1%	1.9%
Net Private flows (USD million)	44	233	31

For reference	2004	2005	2006
Population (million)	139.2	141.8	144.3
GNI per capita (Atlas USD)	440	470	480

Top Ten Donors of gross ODA (2005-06 average)	(USD m)
1 IDA	478
2 AsDF	266
3 Japan	199
4 United Kingdom	193
5 SAF & ESAF (IMF)	124
6 EC	90
7 United States	81
8 Netherlands	64
9 Canada	54
10 Denmark	48

Bilateral ODA by Sector (2005-06)



Sources: OECD, World Bank.

<http://www.oecd.org/dataoecd/56/21/1867292.gif>

Appendix 4. Macroeconomic Indicators

	2003	2004	2005	2006	2007
A. Real Expenditure Growth					
1. GDP at market prices	5,3	6,3	6	6,2	6
2. Private consumption	3,5	3,2	3,9	5,3	5
3. Government consumption	13,2	10,7	7,8	8	9,9
4. Fixed investment	7,9	9,2	6,8	7,8	7,1
5. Exports, GNFS	6,9	12,5	15,6	11	8,2
6. Imports, GNFS	7,4	10,6	19,1	9,5	7
B. Contribution to GDP Growth					
1. Private consumption	2,7	2,4	2,9	3,8	3,6
2. Government consumption	0,7	0,6	0,5	0,5	0,6
3. Fixed investment	1,9	2,3	1,7	2	1,8
4. Net exports	-0,3	-0,1	-1,1	-0,1	-0,1
D. Share of GDP					
1. Private consumption	76	74,9	76	75	74,3
2. Government consumption	5,3	5,5	5,6	5,7	5,9
5. Total investment	23,4	24	24,9	25,1	25,4
6. Exports, GNFS	14,2	15,5	16,8	17,4	16,8
7. Imports, GNFS	20	20,8	23,4	23,2	22,3
E. Memo					
1. Nominal GDP (USD billions)	51,9	56,6	56,7	60,5	67,7
2. Population (millions)	136,6	139,2	141,8	144,3	146,8
3. GDP per capita, current USD	380	406,5	400	418,9	460,8
4. Real per capita GDP growth	3,3	4,3	4	4,3	4,2
5. USD Fx rate	57,9	58,8	64,3	68,9	70
6. Current account balance (% GDP)	0,3	-0,5	-0,2	0,6	0,2
7. General government bal. (% GDP)	-3,4	-4	-4	-4,7	-4,8

http://ddp-ext.worldbank.org/Export_Ext/951316cb-8e7d-4d07-90e9-058b139729f4.xls

Appendix 5: Trade and Competitiveness Brief

Trade and Competitiveness Brief						
Bangladesh						
www.worldbank.org/globaloutlook						
	Average					
	1980-90	1990-2000	2003	2004	2005	2006 (e)
Trade performance						
<i>Current US\$ billions, unless indicated otherwise</i>						
Exports, goods and services	1.2	4.0	7.4	8.8	9.6	10.5
Imports, goods and services	3.0	6.2	10.4	11.8	13.3	14.1
Balance on goods and services trade	-1.8	-2.2	-3.0	-3.0	-3.7	-3.5
Current Account Balance	-0.5	-0.2	0.1	-0.3	-0.1	0.4
as share of GDP (percent)	-2.5	-0.5	0.3	-0.5	-0.2	0.6
Annual percent change						
Exports, goods and services	6.4	13.6	8.7	18.6	9.2	10.2
Export price, expressed in US\$	2.3	8.3	14.8	13.2	12.8	5.8
Imports, goods and services	-1.0	1.5	1.7	5.4	-5.5	-0.7
Import price, expressed in US\$	-1.9	1.3	6.9	2.4	-5.3	-3.4
Trade integration¹						
Share of world's exports (percent) ²	0.0	0.1	0.1	0.08	0.07	0.07
Share of SAS exports	5.4	7.0	8.0	6.26	5.47	4.34
SAS: South Asia						
Trade competitiveness						
<i>Annual percent change, unless indicated otherwise</i>						
World exports goods & services (current US\$)	6.9	6.7	15.9	20.8	15.8	14.8
Bangladesh's export-market growth (3)	..	..	14.9	25.0	18.1	19.3
Bangladesh exports	6.4	13.6	8.7	18.6	9.2	10.2
World export price (expressed in US\$)	..	..	9.3	9.0	7.7	4.2
Competitors' export price ⁴	..	..	10.1	9.2	6.9	6.0
Bangladesh export price	-1.0	1.5	1.7	5.4	-5.5	-0.7
World exports goods & services (constant US\$)	4.6	7.0	6.0	10.9	7.6	10.2
Bangladesh's export-market growth (3)	..	8.7	4.3	14.4	10.5	12.6
Bangladesh exports	7.4	11.9	6.9	12.5	15.6	11.0
Exchange rate (against US\$)	25.9	41.1	57.9	58.8	64.3	68.9
Annual percent change (in US\$)	-7.4	-4.0	-0.8	-1.6	-8.5	-6.7
Main Markets						
	Top-5 sources (2000)		Top-5 markets (2000) \$bn			

Export volume growth, 1980-2005

25
20
15
10
5
0

1980-90 1990-2000 2003 2004 2005 2006 (e)

— Bangladesh — SAS — World

Top Export Markets, 2000

1%

Prospects for the Global Economy
Global Development Finance 2007

The Trade performance section examines a country's exports, imports, and balances in goods and services trade in various dimensions: growth, shares of world and regional exports, and a measure of 'Trade Integration' that captures changes in importance of trade in relation to the overall economy. Trade competitiveness contrasts the country's export performance with measures of growth in the export market for the country, as well as comparative trends in prices. And Markets reviews the country's Top-5 destinations for exports and Top-5 sources for imports, covering 2002.

Readers may find more data and analysis on trade and trade policies in past editions of the Global Economic Prospects (e.g. 2001, 2002, 2004) available from the World Bank's web site at www.worldbank.org and from the World Bank's trade web site at <http://www.worldbank.org/trade>

Notes:

- 1/ Calculated as the average of goods and services exports and imports in current US\$ divided by Gross Domestic Product in current US\$.
- 2/ Share of the country's goods and services exports in total world goods and services exports.
- 3/ Is the weighted import growth of all reported trading partners, where the weights used are the partner's share in the country's exports.
- 4/ Measures the difference between the export-market growth in nominal and real terms.

Data sources: DECPG's Forecast Database, International Monetary Fund.

Appendix 6: Bangladesh at a glance

Bangladesh at a glance

9/28/07

POVERTY and SOCIAL				
	Bangladesh	South Asia	Low-income	
2006				
Population, mid-year (millions)	144.3	1,493	2,403	
GNI per capita (Atlas method, US\$)	490	766	650	
GNI (Atlas method, US\$ billions)	70.7	1,143	1,562	
Average annual growth, 2000-06				
Population (%)	1.9	1.7	1.9	
Labor force (%)	2.2	2.1	2.3	
Most recent estimate (latest year available, 2000-06)				
Poverty (% of population below national poverty line)	50	..	..
Urban population (% of total population)	26	29	30	
Life expectancy at birth (years)	64	64	59	
Infant mortality (per 1,000 live births)	54	62	75	
Child malnutrition (% of children under 5)	48	..	..
Access to an improved water source (% of population)	74	84	75	
Literacy (% of population age 15+)	47	58	61	
Gross primary enrollment (% of school-age population)	109	110	102	
Male	107	115	108	
Female	111	105	96	

Development diamond*

Life expectancy

GNI per capita

Gross primary enrollment

Access to improved water source

— Bangladesh

— Low-income group

KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1986	1996	2005	2006	
GDP (US\$ billions)	21.2	40.7	60.0	61.9	
Gross capital formation/GDP	16.7	20.0	24.5	24.7	
Exports of goods and services/GDP	5.4	11.1	16.6	19.0	
Gross domestic savings/GDP	9.8	12.4	18.1	18.4	
Gross national savings/GDP	14.6	19.8	30.3	33.7	
Current account balance/GDP	-5.1	-3.2	-0.9	1.3	
Interest payments/GDP	0.5	0.5	0.3	..	
Total debt/GDP	38.1	37.7	31.5	..	
Total debt service/exports	28.4	11.4	5.8	..	
Present value of debt/GDP	..	..	22.0	..	
Present value of debt/exports	..	..	96.5	..	
	1986-96	1996-06	2005	2006	2006-10
(average annual growth)					
GDP	4.2	5.4	6.0	6.6	6.8
GDP per capita	1.8	3.4	4.0	4.8	5.1
Exports of goods and services	11.7	10.0	15.6	25.8	14.2

Economic ratios*

Trade

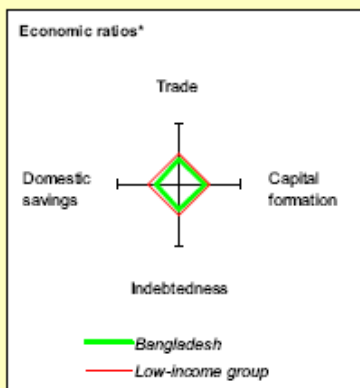
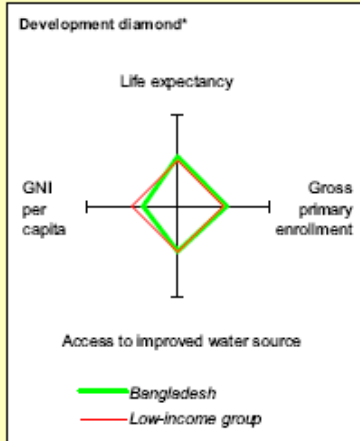
Domestic savings

Capital formation

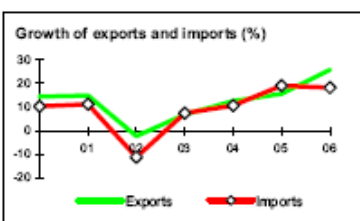
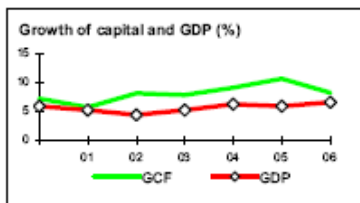
Indebtedness

— Bangladesh

— Low-income group



STRUCTURE of the ECONOMY		1986	1996	2005	2006
(% of GDP)					
Agriculture		31.9	25.7	20.1	19.6
Industry		21.5	24.9	27.2	27.9
Manufacturing		14.0	15.4	16.5	17.2
Services		46.5	49.5	52.6	52.5
Household final consumption expenditure		85.8	83.2	76.4	76.1
General govt final consumption expenditure		4.3	4.4	5.5	5.5
Imports of goods and services		12.2	18.7	23.0	25.2
(average annual growth)		1986-96	1996-06	2005	2006
Agriculture		2.3	3.6	2.2	4.9
Industry		6.5	7.0	8.3	9.7
Manufacturing		6.7	6.3	8.2	10.8
Services		3.8	5.5	6.4	6.4
Household final consumption expenditure		3.2	3.5	5.1	4.6
General govt final consumption expenditure		4.0	8.2	7.8	6.0
Gross capital formation		6.7	8.6	10.7	8.3
Imports of goods and services		7.5	6.0	19.1	18.2



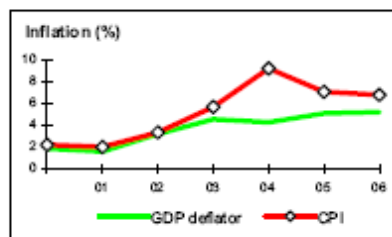
Note: 2006 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

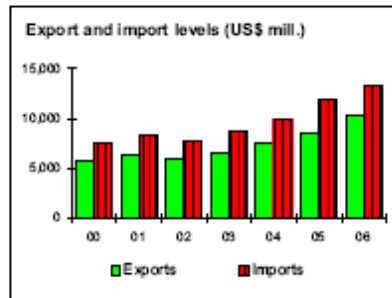
PRICES and GOVERNMENT FINANCE

	1986	1996	2005	2006
Domestic prices				
(% change)				
Consumer prices	..	2.4	7.0	6.8
Implicit GDP deflator	8.0	4.2	5.1	5.2
Government finance				
(% of GDP, includes current grants)				
Current revenue	9.5	9.0	10.5	10.7
Current budget balance	4.1	2.2	2.1	2.2
Overall surplus/deficit	-3.1	-4.5	-3.4	-3.3



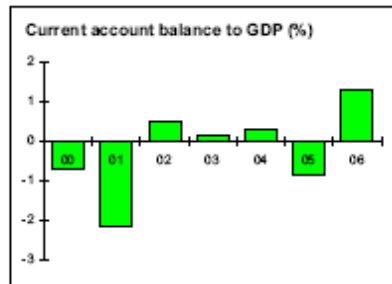
TRADE

	1986	1996	2005	2006
(US\$ millions)				
Total exports (fob)	819	3,884	8,573	10,412
Raw jute	124	91	96	148
Leather and leather products	61	241	221	257
Manufactures	486	3,205	7,819	9,535
Total imports (cif)	2,364	6,947	11,870	13,301
Food	356	570	1,607	1,372
Fuel and energy	342	274	1,602	2,004
Capital goods	1,003	1,918	1,794	1,458
Export price index (2000=100)	46	85	119	122
Import price index (2000=100)	48	79	134	141
Terms of trade (2000=100)	96	108	89	87



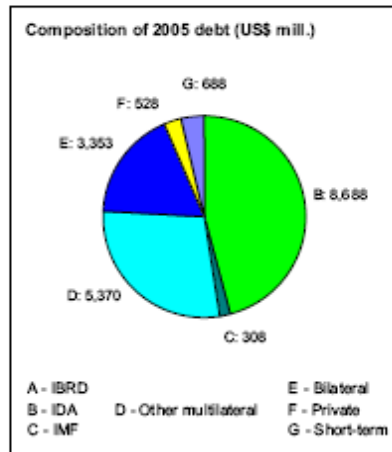
BALANCE of PAYMENTS

	1986	1996	2005	2006
(US\$ millions)				
Exports of goods and services	1,043	4,437	9,750	11,752
Imports of goods and services	2,587	7,604	13,917	15,664
Resource balance	-1,544	-3,167	-4,167	-3,912
Net income	-126	55	-641	-702
Net current transfers	586	1,821	4,290	5,438
Current account balance	-1,084	-1,291	-518	824
Financing items (net)	1,212	274	679	-486
Changes in net reserves	-128	1,017	-161	-338
Memo:				
Reserves including gold (US\$ millions)	..	1,878	2,095	2,296
Conversion rate (DEC, local/US\$)	29.9	40.9	61.8	67.2



EXTERNAL DEBT and RESOURCE FLOWS

	1986	1996	2005	2006
(US\$ millions)				
Total debt outstanding and disbursed	8,062	15,341	18,935	..
IBRD	61	46	0	0
IDA	2,450	5,713	8,688	9,297
Total debt service	448	672	791	..
IBRD	5	8	0	0
IDA	28	92	223	242
Composition of net resource flows				
Official grants	553	596	671	..
Official creditors	843	548	339	..
Private creditors	55	-30	-9	..
Foreign direct investment (net inflows)	2	14	802	..
Portfolio equity (net inflows)	0	-117	1	..
World Bank program				
Commitments	383	168	500	0
Disbursements	337	279	547	403
Principal repayments	8	54	153	172
Net flows	330	225	394	231
Interest payments	25	45	70	70
Net transfers	305	180	325	161



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

9/28/07

Appendix 7: Bangladesh Social Indicators

Bangladesh Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	1999-2005	South Asia	Low-income
POPULATION					
Total population, mid-year (millions)	92.8	116.5	141.8	1,469.8	2,352.4
Growth rate (% annual average for period)	2.4	2.3	1.9	1.7	1.9
Urban population (% of population)	17.5	21.5	25.1	28.5	30.0
Total fertility rate (births per woman)	4.9	3.8	3.0	3.1	3.6
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	49.8	..	..
Urban headcount index	..	..	36.6	..	..
Rural headcount index	..	..	53.0	..	..
INCOME					
GNI per capita (US\$)	220	340	470	692	585
Consumer price index (2000=100)	..	79	130	123	129
Food price index (2000=100)	49	80	112	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	25.9	28.3	33.4	..	..
Lowest quintile (% of income or consumption)	9.7	9.4	8.6	..	..
Highest quintile (% of income or consumption)	35.8	37.9	42.7	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	0.9	0.9	1.1
Education (% of GDP)	..	1.5	2.5	2.9	3.1
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	93	86	78
Male	..	..	92	89	81
Female	..	..	95	82	75
Access to an improved water source					
<i>(% of population)</i>					
Total	..	72	74	84	75
Urban	..	83	82	94	88
Rural	..	69	72	81	70
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	1	79	81	64	65
DPT	2	69	88	65	66
Child malnutrition (% under 5 years)	68	68	48	48	43
Life expectancy at birth					
<i>(years)</i>					
Total	52	59	64	63	59
Male	52	58	63	63	58
Female	52	59	65	64	60
Mortality					
Infant (per 1,000 live births)	116	83	54	62	75
Under 5 (per 1,000)	174	120	73	83	114
Adult (15-59)	..	..	..	..	..
Male (per 1,000 population)	383	322	238	230	290
Female (per 1,000 population)	388	308	205	161	237
Maternal (modeled, per 100,000 live births)	..	..	380	564	684
Births attended by skilled health staff (%)	..	10	13	37	41

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 27 April 2007.

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SUMMARY

This report provides an assessment of Norway's bilateral development assistance to Bangladesh, covering the period 2003 to 2007, based on information collected on a selection of projects within the country programme. A mid-term review commissioned by the Norwegian Embassy in Dhaka and Norad, it analyses relevance and impacts with reference to the overall objectives stated in the Memorandum of Understanding (2003-2008) between the two governments and to current development challenges facing Bangladesh.

Bangladesh has been an important development partner for Norway for more than 30 years. Poverty is still widespread and Bangladesh is currently in a critical political situation with a caretaker government having operated for the last 18 months. A key feature of the new government has been the emphasis it has put on fighting corruption.

The review concludes that the Norwegian aid programme is relevant. It focuses on key sectors, such as education, human rights, gender and private sector development. These are all of particular importance for poverty reduction in Bangladesh. It should be noted that this conclusion is not based on a rigorous impact assessment (with baseline data) and draws on reviews of a selection of projects rather than the whole portfolio. There is one exception to the overall positive assessment. The review questions the justification for the private sector support (SEDF) as it does not appear to be targeting the poor.

Norway is generally perceived as a reliable aid donor and one with a strong emphasis on human rights and gender issues. In several cases, Norway has served as a bridge-builder between the GoB and multilateral institutions through its emphasis on recipient responsibility.

The review team is concerned that future aid to Bangladesh seems to have been determined by a recent decision to downsize the Embassy rather than by a careful assessment of past experience, impacts achieved and the needs of the country. It is of concern that this approach stands in sharp contrast to the perception of Norway as a transparent development partner with a high regard for recipient ownership.

The review recommends continued support to the education sector but this requires that the total aid budget to Bangladesh is kept more or less at the current level. Norway should continue its support to human right organisations in Bangladesh. Norway has also played a critically important role on gender issues – and should continue to do so. Regarding private sector support, the review suggests that Norway should develop a clearer strategy for its involvement and consider targeting more of its aid to micro-enterprises or to energy development.

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